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EDITORIAL

As We See It

In the early days of the New Deal it was commonly said that ours had got to be a "mature economy," that there was little reason to hope for further expansion, and that our concern must be that of seeing to it that the proceeds of this economy of ours were equitably distributed. There were some who got more than their share of this limited output, so the story went, and far too many who got much less than was their due. Here was the real problem of the day and the future, so we were told over and over again. Events have, of course, long ago proved how nonsensical this notion was. In point of fact it was not very long before the New Deal managers themselves did a complete about-face and began to shout about the "need" for stimulating and perpetuating.

Since then "growth" has become a fetish with all too many commentators, and the alleged dire necessity of promoting it is shouted from the housetops upon all occasions. In his annual report just made public, Alfred C. Neal, President of the Committee for Economic Development, again gnaws on the old file, warning us that "it is not only for our own convenience and greater comfort that the economy of the United States must grow. Growth and better understanding of how to achieve it are essential if we are to carry on an adequate program of economic development in other areas of the world.

"This is part of the competitive struggle, too. If the Soviet Union can gain dominance over the billion people who live in the non-committed

Continued on page 20

A Look at 1958 Economy And Consumer's Attitude

By DR. ERNST A. DAUER*

Director of Consumer Credit Studies
Household Finance Corporation, Chicago, Ill.

Household Finance economist emphasizes crucial importance of consumer's attitude, and predicts an upturn in consumer attitudes and buying within the next three to six months. Dr. Dauer says this trend, however, will progress slowly. He observes that many young married couples, comprising the heaviest users of consumer credit, are now getting their first taste of widespread, prolonged unemployment and that this may make them somewhat more cautious credit-wise. Notes recession slightly affected total of goods and services produced and consumer incomes. Doubts soft goods expenditures will be curtailed and looks for resumption of sales of durable goods.

Interest in the state of health of our economy and in the outlook has never been as widespread as in recent months. Statements on the subject have moved from the financial pages to the front page. Yet, there has rarely been less agreement.

Dr. Ernst A. Dauer

There is a real difference of opinion as to how sick the patient is, and what ails him. This is the result, partly, of the fact that we must wait from a week to a month or more for the statistics, upon which any conclusion must be based. It is the result, partly, of the fact that analysts look at different figures, and place different degrees of emphasis on portions of the total picture.

Opinions also differ widely with respect to how long the downturn may continue, how long we may remain at recession levels and how rapid the upturn will be. The answers

Continued on page 28

*An address by Dr. Dauer before Consumer Finance Management Study Course, School of Business Administration, University of Michigan, Ann Arbor, Mich.

Should the Federal Reserve Buy Long-Term Securities?

By WINFIELD W. RIEFLER*

Assistant to the Chairman
Board of Governors of the Federal Reserve System, Washington, D. C.

Mitigating congestion in the long-term capital market, and the recession, by direct Federal Reserve intervention in the market for long-term U. S. securities is not recommended by Chairman Martin's assistant who explains why he believes the preferable solution is the existing policy of using "bills only," reserve requirements and discount rate approach. Mr. Riefler declares purchase of long-terms would obstruct the market's functioning, slow up responsiveness of Federal Reserve decisions, contribute little to the absorbtive capacity of the market and leave congestion problem unsolved.

It has recently been suggested that the Federal Reserve System could help check the recession by buying long-term U. S. Government securities instead of limiting its market activities to the purchase and sale of bills. The so-called "bills only"[1] policy was adopted by the Federal Open Market Committee on the recommendation of the Ad Hoc Subcommittee Report five years ago in the belief that this policy was conducive to the best functioning of the U. S. Government securities market. It is the purpose of this paper to re-examine this belief in the light of the actual operating experience of the last five years. The conclusion reached is that the potential contribution of direct intervention in the long-term capital market would under any circumstances be small and might under certain circumstances not only obstruct the functioning of the market

Winfield W. Riefler

Continued on page 31

*An address by Mr. Riefler at Money and Banking Workshop, Federal Reserve Bank of Minneapolis.

1 Actually "short-term securities, preferably bills."

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

CHARLES E. STOLTZ

C. E. Stoltz & Co., New York City
Members American Stock Exchange

Anglo American Exploration Ltd.

It was two years ago last month that I contributed an article on this same Company through the medium of the "Commercial & Financial Chronicle." I said at that time that in 2 years Anglo American Exploration, under the aegis of Mr. Samuel Nickle, President, had made a record for growth and success unsurpassed in the annals of the Canadian oil industry. Let us now examine what has taken place in the past years. In sympathy with a general depressed stock market, it is true there has been considerable deterioration in the market value for its common stock. But I might add by no greater percentage than that suffered by the stocks of other oil companies.

Charles E. Stoltz

In 1956 the stock was selling on the American Stock Exchange at $15 a share and had a net asset value of approximately $21 a share or to put it another way it was selling at a 30% discount. Today the stock is selling around $10 a share and has a net asset value of approximately $16.25 a share or a 40% discount. This depreciation in its present net asset value is due entirely to the depreciation in the market value of its two subsidiaries, namely, Gridoil Freehold Leases and Canadian Williston Minerals. The Company's marketing and refining facilities were appraised in the latter part of 1957 by the General Appraisal Company at a conservative $14,391,000 or $4,652,000 over and above the amount recorded on the Company's books. During 1957 the Company continued its policy of reducing its funded debt having retired $275,000 First Mortgage Bonds and $100,000 of its Convertible Debentures.

Let us examine a little further the reason for the loss in net asset value. In 1956 Anglo's ownership of 1,309,435 shares of Gridoil had a market value of $12,767,956 compared with today's market value (at $4) of $5,238,136 and its ownership of 2,514,893 shares of Canadian Williston selling at 2⅝ had a market value of $6,601,594 compared with a market value today (at 1¼) of $3,149,616. These figures represent a market depreciation in Anglo's collateral assets of a staggering $10,981,798 or approximately $9⅜ on its 1,171,503 shares still outstanding. These two crude oil producing subsidiaries will be further discussed later in this analysis.

Anglo American was organized in February, 1952. The Company owns and operates a refinery at Hartell in Southern Alberta, adjacent to the prolific Turner Valley field. Under an expansion and modernization program completed in 1956 the refining capacity was increased from 2,500 barrels per day to 4,000 barrels. Its catalytic refining unit raised the octane of the finished product above competitive requirements. In January, 1956, the Company had acquired and developed 814 outlets including commercial and industrial accounts and in March, 1958 its outlets numbered 917 with additional outlets to be opened during 1958. Its dollar volume of petroleum products sold in 1955 amounted to $11,885,724 and for 1957, $14,864,770 or a 25% increase in sales in two years. Its sales of gasoline has increased from 47,139,152 gallons in 1955 to 60,349,321 gallons in 1957 or an increase of 28%. In 1955 the Company had cash flow (before d&d) of $870,823 or approximately 75c a share as against $1,119,686 in 1957 or 95c a share or a percentage increase of 28 in new funds generated. Its net earnings in 1957 (after d&d) amounted to $411,020 against $131,390 in 1955. Its net income for 1957 was, therefore, three times as much as 1955 or to put it another way an increase of 210% in two years.

To proceed one step further the most significant statistics are those of the improving trend in earnings for the first two months of 1958 over those for the same 1956 and 1957 period. January and February are considered poor months for the entire oil industry in Western Canada, particularly gasoline sales, due to the weather. In January and February 1957, Anglo American suffered a loss of $60,717 in cash flow or new funds generated as against a profit of $84,595 in the similar period of 1958 and in 1957 the Company had a net loss in January and February (after d&d) of $181,537 against a loss on the same basis of only $39,817 in 1958. This improved trend continued during March 1958.

The attractive speculative controlling interest of Anglo American lies in its ownership of 1,309,435 or 61.21% of the outstanding shares of Gridoil Freehold Leases Ltd. Gridoil has 522,000 acres of "freehold" leases checker-boarded throughout the provinces of Saskatchewan and Manitoba within the area referred to as the Williston Basin. In order to hold its half million acres Gridoil need only to pay 10c an acre and under the provisions of their leases they still have on the average two years to run. During 1955 and 1956 Gridoil drilled 28 wells—21 of which were producers. In 1957 the Company embarked on a program to drill 60 wells under a $3,000,000 loan from an individual. Only 13 wells were drilled at a cost of $500,000, and in January, 1958 the contract was canceled by mutual agreement. Two of the wells drilled were producers. With funds now advanced by the parent Company and at a tremendous saving, Gridoil is about to embark on a stepped up drilling program in fields that are considered proven territory.

From a value of $10 in early 1956 it is now selling at $4—a 60% reaction. If in the parlance of Wall Street there is such a thing as over de-humidifying a stock—Gridoil at $4 has had it. I do not think we need have any concern for the ultimate success of Gridoil as a crude oil producer. True they have had a temporary setback but as mentioned above, the Company's leases embrace some of the most attractive and successful producing fields in Saskatchewan and Manitoba, and its drive for new wells is underway. While there is a world-wide glut of oil today, that is probably more pronounced in Canada than the United States, Anglo is in the anomalous position of having to purchase from 50% to 60% of its crude oil requirements. Gridoil is, therefore, assured of a ready market for any and all increased production from present or newly discovered wells.

As previously mentioned, Anglo also owns 2,514,893 shares or 63.43% of Canadian Williston Minerals Ltd. This Company has an undivided half interest in perpetuity in all mineral rights excluding coal but including petroleum and gas in approximately 1,436,000 acres in the Province of Manitoba and Saskatchewan. Canadian Williston now received royalty income. From a non-return basis in 1955 Canadian Williston's royalty income increased to over $3,000 in 1956 and to over $26,000 in 1957. The 1958 royalty income is estimated to be in excess of $50,000. It is increasing at a substantial rate. Canadian Williston's income within a 4 or 5 year period will be very substantial and without cost to Anglo.

Here is the story of a Company that in less than six years ranks third in the distribution of petroleum and petroleum products in Western Canada. Its record of sales and profits have improved year after year at an accelerated pace. Anglo American has had many opportunities to dispose of its outlets and refinery for a very substantial figure and at a handsome profit. Outlets in depressed periods and in periods of overproduction take on added importance and value. This is particularly true of Canada where the rate of growth of population and the development of its industries is so pronounced. The Company's outlets and refinery will most certainly substantially increase in value for many many years to come and thereby give added value to the Company's stock.

Anglo American is selling at a greater discount below its net asset value than in early 1956. As pointed out about its loss of asset value is not due to anything internally wrong but is a stock collateral depreciation of its controlled subsidiaries. To expect the market value of the stock of any oil company to remain stationary or not react in sympathy with an obviously depressed industry and stock market is sheer, and dangerous fantasy. Anglo American Exploration Ltd., between $10 and $11 a share is, in my opinion, an outstanding purchase for capital gains.

ROBERT N. TULLER

Robert N. Tuller Co.
New York City

Chicago Transit Authority

The merits of The Chicago Transit Authority securities have been extolled by me and by others in this Forum on earlier occasions. Since I still believe that these bonds and equipment trust certificates will probably be cheap until called or retired, I will take my medal for consistency and praise them again.

Robt. N. Tuller

To those who have not yet invested in these securities with their substantial tax exempt yields, a few historical facts are pertinent. The Chicago Transit Authority now

Continued on page 41

This Week's Forum Participants and Their Selections

A New Look at Investment Analysis and Management

By GERALD M. LOEB*
Partner, E. F. Hutton & Co., New York City

Author-securities dealer blames—failure to educate—investors for professional managers' temerity and resulting below average market performance that comes from staying within the protective umbrella of the current "favorite fifty." Window dressing considerations or fear of what the client might think must give way, Mr. Loeb declares, to courageous convictions to lead rather than follow and to buy on anticipation rather than on realization. This, the writer points out, can only come about when better investor understanding and confidence permits professional managers to liberate themselves from the shackles of shopworn principles and orthodox practices. Outlines six guideposts to market profits including the admonition against diversification, averaging and stale portfolio, and wonders whether refusal to sell stocks may be due to a belief that dollars have a lower reputation than the stocks held on to.

Since the recent decline in the stock market, investment managers have been assessing their records to determine what reasoning was missing in their analysis of conditions that caused many of them to overstay their market last summer.

G. M. Loeb

In my opinion, perhaps the foremost reason as well as obstacle to successful investment management in general was the handicap of doing something for someone else. This applies in the least degree to a private relationship, and in the greatest degree to the management of a vast publicly owned portfolio. There are moral and legal responsibilities that simply rule out dramatic action for most managers. Thus, they resort to average action, which is bound to bring average results. Once in a while over the years some rugged individualist defies convention and goes his own way. This usually results in either an outstanding success or a profound failure.

Perhaps the handicap of acting on someone else's behalf is not just the foremost obstacle as I labeled it. It could possibly be the only obstacle to successful investment management—especially where a high level of competence exists. If, for example, there appears to be a preference for over-diversification, the motivating reason may be a fear of being criticized or held responsible for an unorthodox action, rather than a basic belief in owning a wide variety of stocks.

If a portfolio is concentrated in issues that have demonstrated their value in the past rather than in issues that hold speculative promise for the future, perhaps the mistaken reason is the same. And, finally, if there is a general reluctance to cut losses it is apparent that the yoke of another person's portfolio is weighing heavily on the manager's investment decision.

It is doubtful whether this situation can be completely changed. The underlying reasons are human and ingrained and probably will prevail. However, by holding a critical mirror to this existing condition, someone might recognize his old weaknesses and attempt to strengthen his convictions.

First Suggestion Offered

Now, from a constructive point of view, my first suggestion is to broaden education as to the hazards and difficulties of successful investment. Personal clients and institutional stockholders alike can and should be made to realize the problems inherent in portfolio management. Once they become enlightened they will also gain confidence in the decisions made by management who in turn would become somewhat liberated from the shackles of shopworn principles.

In the laudable effort to create more stockholders not solely in the interest of stimulating business but properly for the best interests of the new investors and the economy as well, it is easy to let salesmanship outrun realism. We possess a profit and loss economy. The market goes up and it goes down. It is only human nature to emphasize the good points and we are accustomed to this in everyday life.

It doesn't affect the ownership of an automobile to experience a punctured tire.

However, when it comes to investment, being forewarned is being forearmed, and investment results will be actually tangibly improved if clients and stockholders understand the difficulties and hazards.

Management could then show new vigor and self-determination in heeding some of the proven guideposts to success.

Guideposts Suggested

I believe some of the proven guideposts that should be followed are:

(1) **Cut your losses:** An institutional manager once told me that

Continued on page 20

*From a talk by Mr. Loeb before The Cleveland Society of Security Analysts, Cleveland, Ohio, June 4, 1958.

INDEX

Articles and News

Page

Regular Features

*Column not available this week.

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Observations . . .

By A. WILFRED MAY

THAT CONSUMER SHOT-IN-THE-ARM

"What would happen to sales of consumer durables if instalment terms should now be drastically re-liberalized?" This question, raised at a recent conclave of leaders in the consumer credit industry, was revealed as highly significant. For the response of "no effect would result," which emanated from the vast majority of this group, whose natural bias would lie in the opposite direction, strongly substantiates the position of those who oppose the vigorously pushed "anti-recession" proposals for a consumers' shot-in-the-arm. In other words, it is clear to experts "on the firing line" that a dose of additional purchasing *power*, whether from credit easing or an income tax cut, would be inadequate to overcome the existing buyers' holiday, whether it be rooted in consumer *saturation* or faulty distribution techniques as the "soft sell."

A. Wilfred May

The effectiveness of any consumer pump-priming device would seem to depend on the propitiousness of the concurrent business and economic environment. This is consistent with the 1954-1955 experience which followed a $7.4 billion tax cut, of which $3.8 billion went to individuals between the beginning of 1954 through mid-1955. The accompanying, or resulting, bulge in auto sales to 7.2 million in 1955 followed moderate sales of 5.7 million in 1953 and 5.5 in 1954. Now, however, we must overcome the "backwash" from the 7.2 million cars of 1955, and 6 million in both 1956 and 1957.

In any event, the sloughing back in car volume from the 1955 peak to the previous norm would certainly support the conclusion that a consumer's bonus at best is merely a temporary shot-in-the-arm.

In bygone days, the patient was wont to ask the doctor, "When do I get well?" Now that query is "What's the matter with me?" Unfortunately, our body politic is not yet making many strides along that desirable change of direction.

★ ★ ★

1958 FUND BIBLE

The long existing gaps in education concerning the relationship of insurance to individual investing now gets major fulfillment by way of full treatment as a new feature of the 1958 edition of Arthur Wiesenberger's "bible" of the mutual fund business (INVESTMENT COMPANIES, 1958 edition, by Arthur Wiesenberger, Arthur Wiesenberger & Co., members N. Y. Stock Exchange, 384 pp., $25). It is fortunate for the furthering of objectivity as well as the proper weighting of the twin investing and insurance activities, that the author, per his own disclaimer, is "no insurance man." His combined treatment is premised on the basic principle that an investment program, to be sound, must be designed to fit individual requirements and should be integrated with all other assets having present or future value; and, more specifically, that life insurance and investing are related elements of the same basic problem—that of providing adequate financial resources for future needs and wants.

"Life insurance is both underrated and over-rated," Mr. Wiesenberger, who heads a Stock Exchange firm expertising in mutual funds, realistically points out. "Too many people today are paying too much for too little insurance protection. And they're paying too little attention to taking proper financial care of themselves if they live, as most of them will, to a ripe old age."

On the over-all approach, after paying full tribute to the function of insurance—"for protection, there is, of course, nothing better than life insurance; as a matter of fact, most people need more insurance for this purpose than they now carry"—he wisely offers this sensible compromise to people with capital: "They should live a double life, with proper protection for their families, on the one hand, through the right kind of insurance, and proper provision for themselves, on the other, through the right kind of investments. An intelligent combination of both will provide more funds for their families, in the event of their death—more for themselves, while they're alive."

By way of detailing additional insurance education that is called for, Wiesenberger gives pointers for distinguishing among the variety of policies now available; and for understanding of how much of each policy truly represents protection and how much represents a form of savings or investment which may or may not be suitable—all to be geared to individual circumstances. Also the way is indicated for determining whether existing policies should be retained, converted to annuity income, or surrendered in order to invest their cash value in other ways. Too often to retain policies only for their insurance features, through misunderstanding, is needlessly wasteful.

Realism About Savings and Protection

Very valuable explanation is given for the calculation of the savings element in insurance policies, with the significance of cash surrender value, with realistic recognition of the real cost of both the savings and protection elements. This includes demonstration of the frequent fallacy of leaving a "paid-up" policy uncashed on the unchecked supposition that the insurance is costing him nothing. This kind of holder as well as the insured who keeps paying premiums after protection has ceased to become necessary, in lieu of exercising the higher-yielding cash-surrender privilege, is often just kidding himself.

Other elements covered in this insurance-investment-financial housekeeping area include: protection related to family budget; the incidence of inflation; U. S. Savings Bonds; Social Security; financing college costs; family budgeting, the retirement years; with continuing over-all attention devoted to an individualized all-inclusive financial program, with no excessive "plug" being extended to the fund device, in which industry the author is so authoritatively involved.

The Closed-Ends in the Fund Boom

The current boom in the investment company industry, reflected in the launching of some giant open-ends and the discount narrowing of the closed-ends, renders particularly worthwhile the enlargement by this year's edition of the treatment of closed-end companies, with an exploration of their differences from the open-end funds. How the securities of the closed-end companies, which now number about 50 in the United States and Canada, offer interesting opportunities for growth of capital, and "discount-fattened" yield, to the investor willing and able, the varying factors relevant to the valuation of the different companies, is clearly and succinctly described. These companies, mostly of the leverage type (i.e., having senior capitalization which enlarges the swings both up and down) which had been so highly popular in the late 1920s, suffered particularly heavy losses after the 1929 market debacle. The after-glow of "bust" disfavor persisted, as manifested by the substantial discounts from asset value at which their stock issues sold in the market. But in recent years, according to a key chart, the average discount on 15 such companies declined from a peak of 40% in 1940 to a 25-year low of under 10% at the present time. Consistent therewith, their number of shareholders has risen steadily.

This renaissance of the closed-end company Wiesenberger attributes, in addition to the quantitative value factor, to improved public education ("public relations") efforts, to a spill-over of popularity from the open-end movement, and in a few instances to favorable tax factors.

Other valuable material in this 384-page reference work includes full individual analyses of the 275 closed- and open-end companies, with detailed portfolios; full coverage of the industry in Canada; general appraisal of management, comparative past performance; tax aspects; a glossary of technical terms; and full dividend, income, and expense data.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Steel output last week was the highest for any week this year, standing at about 1,630,101 net tons. Responding to improved demand and hedging against a possible July 1 price increase, mills operated at 60.5% of capacity, up 4 points. This reflects a better than 25% gain since the low point six weeks ago. Continued and modest improvement through June is likely, but the outlook for operations after July is less certain, according to "Steel" magazine.

In the automotive industry last week output rose by 11% above the Memorial Holiday week and the expiration of union contracts at General Motors, Chrysler and Ford failed to impede the production of cars and trucks. According to "Ward's Automotive Reports," the weekly gain in output followed a month-end burst in auto buying which carried total new car sales for May 3.5% above April, setting a new monthly record for the year.

The latest forecast on 1958 outlays for plants and equipment based on a joint survey by the United States Department of Commerce and the Securities and Exchange Commission, indicate that businessmen have again cut their 1958 plans for spending for the above purpose.

The Government put the new spending estimate for the current calendar year at $31,000,000,000, or $1,000,000,000 lower than a similar forecast only three months ago. The lower figure, if it stands up, would be 17% below the record $37,000,000,000 spent last year.

On a quarterly basis, the report indicates a continuing slide to an annual rate of about $30,000,000,000 in the fourth quarter of 1958.

The new estimate bolsters the almost universal view of top Government policymakers that the slack in plant and equipment outlays, considered a key factor in the current recession, will continue for the rest of this year and, perhaps, into 1959.

As concerns the current employment situation for the country as a whole, the Government reported unemployment dropped a more-than-seasonal 216,000 in the month to mid-May to 4,904,000, but a top official indicated little change in the job situation is expected through the year that starts July 1.

The mid-May total was the first under 5,000,000 since January. As a result of the decline from mid-April, the seasonally-adjusted rate of unemployment also fell—from 7.5% of the work force in mid-April to 7.2% in mid-May—the first decline in the rate since July, 1957.

The joint report by the United States Departments of Labor and Commerce also showed total employment rose by 1,154,000 in the month to mid-May to 64,061,000. However, most of the improvement was in agriculture and construction. Employment in manufacturing declined by 67,000 to 15,000,000 in mid-May and the report said two-thirds of the drop was in durable goods industries, the hardest hit by the recession.

Fewer layoffs in automobile and automobile supplier plants resulted in a 10% decline in initial claims for unemployment insurance in the week ended May 24. This was the lowest weekly level since mid-November.

In the steel industry this week the rush to beat the expected July steel price boost is jamming mill schedules, "The Iron Age," national metalworking weekly, declared yesterday.

It noted that steel users who were late in placing orders for June delivery will be disappointed. Some orders will carry over into July, when the mills are expected to hike prices about $6 per ton as an offset to higher wage and fringe benefits.

Some steel buyers are having trouble getting the mills to accept business for June delivery, as for example, a plate user who is endeavoring to get on a June 16 rolling schedule, but has been told the best he can have is a June 23 rolling with delivery in July.

The metalworking magazine adds that the June rush will contribute to the expected July letdown. Many steel users have merely moved up their July orders into June, which means their July requirements will be that much less.

This trade weekly pointed out that the expected summer lull in steel demand probably will boost chances for a fall and winter pickup, barring a strike in the automotive industry. Steel user

Continued on page 30

Steel in General and Wheeling Steel in Particular

By DR. IRA U. COBLEIGH

Enterprise Economist

Concluding that the steel industry may now be modestly on the upgrade; and that cash flow, rather than the flow of molten metal has been the more important stabilizing factor in the market for steel shares.

Ira U. Cobleigh

The great problem in an enterprise economy is found in maintaining the proper balance between the expanding of production capacity, and the variations in demand this capacity is designed to meet. For example, in steel, at the end of World War II we were below 100 million tons in ingot capacity. Steel managements, mindful of over capacity in the 30's, were long reluctant to embark on major expansion; but in the 1950's plant expansion and improvement programs brought our annual capacity up to 141 million tons. Against that we actually produced only 117 million tons in the best year, 1955, and only the optimists think we'll turn out more than 90 million tons this year. We produced but 24 million in the first four months. So there's no doubt about present over capacity. We've got it—and a rather high percentage of it in relation to visible and foreseeable demand.

But the $8 billion of plant expenditure in the industry (mostly financed out of retained earnings and depreciation) in the years 1951-57 did not all go into added capacity. A major slice went into modernization and improved efficiency. So much so that many plants which used to break even at 65-70% operation now can make money at 55% or better.

The steel position today presents other phenomena. The biggest company is the most efficient and most of those individual and institutional buyers who have purchased steel equities in 1958 have led off by buying U. S. Steel. This situation is in contrast with the motor car industry where a small outsider, American Motors, has turned in the best 1958 earnings statement and the best market performance. Elegant as U. S. Steel is, and attractive both on a profit margin and times/earnings ratio, we think that others also deserve a look—Youngstown with sweet cash flow, Jones & Loughlin with a wonderfully new and efficient set of plant layouts and one of the eagerest managements in the business.

It would appear now that some market zeal for steel is logical. June looks like a 60% month, partly due to buying in anticipation of a price rise in July, and partly due to orders for the next model series of cars. Moreover, whereas other major dips in steel demand have been accompanied by price declines, nothing in the way of general price decline seems in order now, particularly with a new and higher cost of labor in prospect and the fact that so many companies can now stay in the black at 55% or better operating levels. And, of course, many companies that, after all charges including taxes, still will manage to show a profit in the current six month period, have an actual cash flow from amortization and depreciation of several dollars a share. For example, Jones & Loughlin for 1957 reported net earnings of $5.65 per share which, with depreciation of $5.68 per share, brought the total cash inflow up to $11.33.

Now there is no market analyst we've run across so intrepid as to suggest a roaring upsurge in the steel trade, beginning now. There is, however, some fairly respectable evidence that the bottom may have been reached and possibly passed; in which event enthusiasm for steel shares is based on the sizable additions to share net which each 1% rise toward capacity operation can generate. This, plus the leverage existing in many capitalizations, animates the hopes for higher dividend and higher share prices. And without high hopes, who would ever speculate?

On the assumption that steel has, indeed, bottomed out then we propose an inspection, not of the biggest companies in the business but the number ten producer, with a 2,400,000 ingot capacity, Wheeling Steel Corporation. It could be that WHX has been neglected in all the fanfare for the leaders. The case for Wheeling is not without merit.

In point of plant investment, capacity, since 1948, has been increased by 1 million tons; and, totally, about $150 million has been spent on capital improvement in the past decade.

In actual production Wheeling's best year was 1955 with 2,057,000 tons; and for 1958 the quite satisfactory total of 1,829,000. This year is another story, and conjecture as to profitability depends on percentage of capacity operation achieved. A reasonable estimate of Wheeling cost structure would suggest that its break even point is somewhere around 55%. It should be able to show $1.75 to $2 at 60%; and at 70%, perhaps $3.80; and at 80, $6.25. Seventy percent does not seem a particularly wild target for 1956, and it would provide comfortable coverage for the indicated $2 dividend rate (reduced from $3.40 last year). Moreover, there seems to be no particular reason why, if the earnings are there, higher cash dividends would not be declared.

Pricewise, Wheeling common has ranged this year between a low of 33¼ and a high of 39⅝. There are 1,936,029 common shares (listed on NYSE) preceded on the balance sheet by $35 million in $5 preferred stock selling at 90 to yield 5.55%; and $41½ million in long term debt.

Of debt securities, considerable attraction lies in the 3¾% debentures of 1975. They sell presently at 94½ to yield 4%. They are convertible into Wheeling common at 57½, with actual conversion to be effected by the tender of $50 in debentures plus $7.50 in cash. Now with conversion 19 points away it might be argued that there's no hurry about purchasing. That viewpoint might prove erroneous, however, as first of all you pay very little in the debenture price and yield, to get this call on the stock; secondly, the bond insulates you quite well against any significant market loss; and thirdly, when and if the stock gets within earshot of the conversion price, you may expect lively market action since one point on the stock will be worth two points on the bonds. Incidentally, the bond is nice to have around for collateral, in case you need it.

Now, of course, in every board room there are folks who are strictly name buyers. In chemicals, they buy duPont, in oils Standard of Jersey, in railroads Union Pacific, in steels, U. S. Steel. These clients of customers' brokers have no truck with the second team or the farm clubs! It's the bluest of blue chips or nothing. For them, today's references to lower magnitude Wheeling Steel is just so much irrelevant chatter.

But for stock buyers of a more imaginative turn of mind, and persons who are willing to accept a little more volatility in their stocks, a look at Wheeling Steel may not be amiss. The stock at 38½ yields over 5% and there is some legitimate expectation of higher dividends within 12 months. The capitalization is leveraged, the enterprise enjoys good management, and has grown at a faster rate than the industry as a whole. This may not be a big year for steels; but the current doldrums may be presenting buying opportunities which will vanish in the sunshine of better times. Wheeling might prove as underpriced as it is unsung.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John H. Coleman Jr., is now with Interstate Securities Corporation, Fulton National Bank Building.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—Samuel R. Tingley has been added to the staff of Fusz-Schmelzle & Co., Inc., 2508 Brown Street.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Michael N. Mueller is now with Dempsey-Tegeler & Co., 209 South La Salle Street.

With R. F. Griggs

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—John S. Michna has become affiliated with the R. F. Griggs Company, 37 Leavenworth Street. He was previously with George C. Lane & Co.

Developments in World Trade And Monetary Policies

By PHILIP CORTNEY*

Chairman, U. S. Council of International Chamber of Commerce
President, Coty, Inc., and Coty International Corporation

Mr. Cortney descries three challenging international economic problems which, if unsolved, are said to spell the fate of Western Civilization. The well known international business leader details the telling effect of: (1) our recession and propensity for inflation; (2) lack of Free World disciplined monetary stability and currency convertibility; and (3) our continued concessions to high tariff advocates. Reports on a recent heartening experience wherein Europe's finance and banking leaders entered a gentleman's agreement to end deficit spending by governments, and explains why we have so many detractors in the world.

Philip Cortney

Centuries ago, the Greek tragedian Europides wrote, "Whom the Gods wish to destroy, they first make mad." Outside of its literal meaning, this line which has endured through the ages, may express a profound truth for nations and societies. My analysis of the world situation convinces me that unless fundamental measures are taken soon it may prove an accurate prediction of the fate of Western civilization.

Under the press of events, there is little time for perspective. Even minor reprieves from disaster may be mistaken for victories. Thus, we tend to celebrate the fact that the Reciprocal Trade program has not been completely destroyed; we cheer when one country attenuates the rigors of its exchange controls; we are pleased when a labor union reduces its demands for new wage increases; we will be relieved and happy if French democracy manages to survive its latest ordeal. How easy it is to live with such daily events and to ignore the real question of whether or not the free world is showing the necessary wisdom and courage to ensure that the institutions we cherish will prevail — or even survive.

There is no area in which the relevance of this question is more immediate than in international economic affairs. The problems that confront us here are not difficult to analyze. Nor are their solutions beyond our present abilities.

As we all know, the Soviet Union has in so many words "declared war" on us in the fields of production and trade. We can rely on them to work with cunning and diligence to bring about a breakdown in the present shaky international trade and currency system of the free world. The communist aim is clear—to destroy the western alliance and to absorb the underdeveloped countries of the world into their camp. As unwilling allies, they can count on the narrow-minded, the selfish and ignorant within our nations to serve their cause.

To meet this challenge the free world will need unity of purpose, strong determination and whole-hearted cooperation. Only the vigorous leadership of the United States can ensure these conditions. It remains to be seen whether our nation and the other political democracies of the world can live up to this challenge.

Three Problems Confronting Us

There are three main and fundamental problems confronting the economic and monetary systems of the free word.

(1) A world-wide recession which shows no sign of abating and is bound to contract international trade even more than it has already.

(2) A monetary problem, characterized by balance of payments difficulties exchange controls, lack of international liquidity, conflicting national credit policies

Continued on page 24

*An address by Mr. Cortney before Chicago Association of Commerce and Industry and Export Managers Club of Chicago, Chicago, Ill., May 21, 1958.

Nuclear Power Plants: Today and Tomorrow

By ROBERT W. HARTWELL*
General Manager, Power Reactor Development Company
Detroit, Michigan

Mr. Hartwell concludes that many large nuclear power plants will be in service in U. S. A. by 1960-1962, keeping us in the forefront of peaceful atom development, and that nuclear power will become economically competitive with conventional power with increases in conventional fuel costs.

The electric utility industry in the United States is proceeding diligently with the development of atomic or nuclear energy for the production of electric power. Our power systems, equipment manufacturers and other industrial organizations are conducting research and development programs aimed at making nuclear energy a competitive source of heat at the earliest practicable time.

Robert W. Hartwell

Conservation of fuel and the production of lower cost power are two important objectives which motivate the industry to spend millions of dollars each year for nuclear development and to assign highly trained engineering and scientific personnel to this work.

The United States is not confronted with the urgent need for nuclear energy that exists in many countries where even now substantial quantities of conventional fuels, such as coal, gas and oil, must be imported at high cost to meet current industrial demands. While this nation has relatively large fuel reserves, they are not inexhaustible. Demands for electrical energy are increasing every year and it is apparent that a new source of energy will eventually be required to supplement that of the conventional fuels in meeting the nation's energy demands.

*An address by Mr. Hartwell in a panel discussion at the 62nd Annual Credit Congress, Detroit, Michigan.

Depends on Conventional Fuel Costs

It seems reasonable to assume that our most economical conventional fuels are being extracted at present, and that as mine shafts must be deepened and other operations extended, future fuel costs will trend upward. Coupled with increased cost of extraction is increased transportation expense. Today nuclear power is not economically competitive with the cost of power produced from conventional fuels. It would appear, however, that possible increases in conventional fuel costs will result in nuclear power ultimately becoming economically competitive without so great a reduction in cost as would be required at present.

To those not engaged in nuclear power development, the numerous, somewhat different types of reactors under construction or in advanced stages of engineering and design seem to represent a "hit or miss" program hardly mutually supporting. This is not the case. It is true that a pressurized water reactor has been installed in the Shippingport Plant, near Pittsburgh, that a large boiling water reactor is under construction for the Presden Plant, near Chicago, that a sodium-cooled, graphite-moderated reactor will be built in Nebraska and that the nuclear plant here in Michigan will include a fast breeder reactor. There are other important reactor types under consideration. Modified and improved pressurized water reactors are under construction in New York and Massachusetts. This broad program suggests that the best or most economical reactor type has not yet been found. The diversity in our development program here in the United States indicates that comparative construction and operation data will soon be available with which to select the more desirable designs.

Describes New Atomic Plant

The Power Reactor Development Company (PRDC) has carefully analyzed the fast neutron breeder reactor design which Atomic Power Development Associates (APDA) has developed and has started construction of the Enrico Fermi Atomic Power Plant. The fast neutron breeder reactor to be installed in the plant produces heat which may be converted to electrical energy and also has the potential of producing more fissionable material than it consumes. Revenues may then be realized from the sale of heat and from the sale of new fissionable material produced. The Atomic Energy Act of 1954 requires that this fissionable material must be turned over to the government for credit. PRDC economic studies, based on the published government schedule of credits, indicate that the company will derive approximately 40% of its annual revenue from plutonium credit and the balance from the sale of steam. This breeding potential, coupled with other advantages inherent in this type of reactor, has motivated APDA to spend some $13,000,000 on fast reactor research during the last five years and to commit $5,000,000 for reactor test equipment including full scale components such as pumps, piping, reactor vessel and control rods. Most of this test equipment will be made available to PRDC for integration into the actual plant.

Construction of the plant is proceeding at a site in Monroe County, Mich., approximately 35 miles southwest of Detroit. The reactor, a full scale developmental breeder, with a design rating of 300 mw of heat and 100 mw of electrical power, is being built on land leased from The Detroit Edison Company. Detroit Edison will construct, own and operate adjacent turbine generating facilities and will purchase steam required for those facilities from PRDC.

Work on plant structures has been under way since Aug. 8, 1956, when an inaugural ceremony was held at the newly filled site. The large steel reactor building, 120 ft. high and 72 ft. in diameter, has been erected and successfully pressure tested. Many of the major reactor components which are to be installed in this building are in advanced stages of fabrication or completed and at the site. The large 100-ton stainless steel reactor vessel is now being placed in position within the capsule-shaped reactor building. Detroit Edison has completed the plant service facilities, including water, sewage and heating services. Other structures under construction include the PRDC sodium storage and purification building, control and office building and the Detroit Edison turbine-generator building.

PRDC will spend more than $37,000,000 for the reactor portion of the plant while The Detroit Edison Company's turbine-generator section of the plant is estimated to cost in excess of $14,000,000. The 100,000 kw plant will then cost in excess of $51,000,000 exclusive of research and development work. Power from this first large breeder reactor will not be competitive, but much will be learned from the construction and operation of the plant. This important knowledge will make the second and third generation of fast reactors more competitive.

In addition to the APDA research expenditures, PRDC will

Continued on page 33

Elusive Electronics

By EDGAR T. MEAD, JR.*
G. C. Haas & Co., New York City

Wall Street partner canvasses elusive *smaller* electronic firms in terms of investment opportunities, criteria and advice. In naming and briefly describing specialties of some of the American firms, as well as those in Canada, and possibilities of "offbeat" products and companies and those in the military field, Mr. Mead expresses a preference for companies offering a satisfactory balance between industrial-commercial and analytical and military output. He reports that those in the non-military category are expected to more than double their market within a fairly reasonable length of time. Cautions and warns, however, to buy carefully and be a slow seller in the electronics field.

Perhaps the most baffling of all industries to the financial analyst is electronics, if indeed it can be called an industry, and even more baffling, the smaller electronics companies. More likely, electronics should be regarded as the common denominator of many different devices for industry, laboratory, commercial and military requirements. A heavy duty power transformer is obviously a piece of electrical equipment, yet its principle is based on an electronic phenomenon.

Edgar T. Mead, Jr.

This analyst's long-term preferences lie with the electronic systems companies. Most of these have shown large gains in sales, although perhaps not yet accompanied by similar improvements in net earnings. Recently, many of these companies have been obliged to curtail expansion and research activities when cash resources ran dry. The recession and budgetary cuts had an ill effect on many of them, and at least some of the weaker companies were obliged to cut to the bone or to seek some means of survival such as merger with a financially richer organization, sometimes entirely out of the electronics field. Components making is, of course, an ancillary industry and the bulk of components are usually sold to other electronics companies. Hence, in the long run, the system maker is the purchaser and the one who stands to dictate prices among the increasingly competitive components producers.

Investment Considerations

There seems to be no easy answer as to which are the most attractive among the small components and system manufacturers, but the following are a few guideposts which have proved helpful:

(1) **The creativity of research.** A progressive company spends an amount equal to or perhaps in excess of 10% of sales on research. Of course, a lesser amount in the hands of a really top-notch group of engineers can cost less and produce more. It is well to observe the number of new patents granted or applied for, although one should be aware that electronic discoveries must remain ahead of actual patents in order to remain competitive.

(2) **A management that knows how to make money.** It is commendable to build up sales year by year, but one should perhaps be more interested in learning about the creation of cash flow. Although there are countless other factors, the amount that the company chooses to report and represent as net earnings is still a highly significant factor. On a new financing, for example, the pricing of the new issue may depend on the earnings record as reported. More basic, a management which merely churns money isn't really getting anywhere and we are interested in earnings even in a growth company.

(3) **Satisfactory financial condition.** Obviously, a company which has built up a good cash flow and has cash in the bank is in a better position to move into new fields or reorient its products than a company which is congenitally strapped for cash. We have seen some unfortunate examples of small companies which nearly went bankrupt because of an insufficient treasury.

(4) **Sales balance.** The industrial-commercial-analytical, entertainment and military sides of electronics are all apt to grow fast in the future, but the farsighted analyst might well prefer to cast his lot with the company which offers a satisfactory balance between the industrial-commercial-analytical and the military. The entertainment field seems to occupy quite another category, since up until now it appears that the radio-TV business has depended chiefly on the flow of consumer spending and consumer whims, which is another matter. The military business will evidently be with us for a long time, and, on the plus side, a great deal of important research has been brought into being solely through the existence of government contracts, despite the low profit angle of government work generally. The industrial-commercial-analytical aspect seems of the greatest interest, and while growth has been slower than the optimists forecast, the projections given to us by reliable spokesmen seem to indicate more than a doubling of this market within a fairly reasonable length of time.

(5) **Statistical evaluations.** Here, the analyst may give up in despair if he tries to apply the punctilious measurements used for most securities. A profitable electronics component maker, in the opinion of many analysts, is probably worth about 10 times earnings, unless the company occupies a singularly important position in its particular field. A good systems maker may be worth 20 times anticipated earnings. Perhaps the top companies in systems deserve a higher multiple, although one draws shy of paying 30 times unless there is a pretty good reason.

Specifies Certain Firms

Let's look at a few companies and make some choices:

Electronics Associates, Inc. sells around 40 over-the-counter, and satisfies practically all of the requirements mentioned. As you may know, EAI occupies about 70% of the analog computer field, and this market might reach around $30 million within five years. This suggests a possible tripling of company sales during this interval, and since the company is one

*From an address by Mr. Mead before the Customers Brokers Association, New York City, June 5, 1958.

Continued on page 43

The Economic Outlook

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board
New York City

A leading business economist supports his statement that a stronger case can be made showing the recession is at or near its end than at any time since it began. Mr. Gainsbrugh hastens to add that this does not mean a quick or full recovery, or prosperity-around-the-corner, is in the offing, and also adds that prospects for modest upturn late this year depend upon reversal of inventory liquidation, increased Federal spending and continued consumer purchases. Ascribes recovery-lag to continuance of temporary excess capacity.

Business statistics over the past month have in general been far more favorable than at any time since the recession began. The combination of sharply curtailed manufacturing output and strong final demand seem to be steadily bringing the economy into better balance. In fact, a stronger case can now be made that the recession is at or near its end than at any time since it began. Among the favorable signs which have become evident are:

M. R. Gainsbrugh

(1) The firming-up of personal income and retail trade. Personal income in the first four months of 1958 never once dipped below its level a year earlier. In fact, consumers now have just about as much income to spend or save after taxes as they had on the average in 1957. Retail sales, despite an earlier Easter, rose in April and, excluding automotive purchases, were $0.5 billion higher than in April, 1957. The most recent flow of consumed income, if maintained, is ample to support a level of consumption expenditures throughout this year, somewhat higher than that which was maintained during the first half of 1957.

(2) New-order situation improving. Official and unofficial data suggest that orders flowing into the nation's factories have at least stabilized and may have risen more than seasonally since February. In a number of major industries the rate of production has for many months been well below the chew-up rate of their customers. Steel inventories, for example, have been off far more sharply in the first quarter of 1958 than in any quarter of 1957. Output of basic raw materials has been cut to a new postwar low. Stable final demand and sharply curtailed output have led to an unprecedented rate of inventory liquidation in the opening months of this year. Purchasing agents are still under instructions to reduce inventories further but as bookings are bettered this policy is being slowly altered.

(3) **Construction awards rising.** Heavy construction awards have moved up steadily toward last year's highs. What was lost earlier in private contracts as the boom in plant expansion ended has now been replaced by rising awards for highways and other state and local facilities and for residential building.

There are other equally favorable readings on business thermometers. Income of agriculture has risen steadily for six months as farm employment and purchases of farm equipment are benefiting therefrom. Hours of work in manufacturing (seasonally adjusted) have been about unchanged for several months. The length of the work-week is no longer declining in manufacturing.

Sees No Quick Recovery

These favorable signs that the recession may be at or near its trough do not necessarily mean a quick or full recovery, or that prosperity is just around the corner. This has been a capital goods recession right from the outset. As compared with a 13% decline in total industrial output, durable goods output is off by fully 20% from its peak. Nondurable output declined by only 6% during the same period (see table).

The Conference Board's most recent survey of capital appropriations still suggests that for the capital goods industries this may well be the longest-lived contraction in two decades. It foreshadows a continuing decline in capital goods spending by manufacturers well into 1959. Dwindling profits and, in some cases, deficits have not only led many companies to postpone expansion, but even in some instances to eliminate projects earlier approved, so that cancellations rose markedly.

It is not surprising, therefore, that the hard core of unemployment continues in durables manufacturing and its satellite industries. Outside manufacturing, employment is virtually just as high as it was a year ago. In fact, in the service industries, finance, and government, we have a half million more workers on payrolls than a year ago.

Employment in manufacturing was cut for two reasons. One of these was excessive inventory. This may cure itself before year-end. As inventories begin to approach bedrock requirements in a growing number of instances, a reversal of the liquidation process becomes necessary. That in turn is why the fast that final demand has been so strong is so encouraging for the outlook later this year.

Two Reasons for Decline

Because inventories were excessive, employment was cut in n-dustry after industry. New orders were filled from stock as much as possible; materials purchases were held below current rates of consumption. As much as half of all the layoffs in manufacturing reflected the need to bring inventories into balance. The decline in business investment from this source may well be behind us by the end of summer. A neutral inventory policy, if not active accumulation, is a strong pillar upon which to build a model of fourth quarter stability, if not mild upturn.

But excessive inventory of goods was only one of the reasons for the decline in business investment. The second reason was excessive inventory of plant and equipment in many of our major industries. That correction is more a matter of one or more years than of months. Such investment spending could be stepped up for cost saving and modernization purposes, given proper tax incentives. But even under such conditions, the correction phase could last through the year.

Still the reversal of inventory liquidation could at least neutralize, if no more than that, the continuing decline in business outlays for plant and equipment. And this, coupled with a modest rise in construction outlays, could mean that by year-end the total of private investment in goods would no longer be declining.

Summary

By way of summary, the economy, after nine months of recession, still continues to show surprising strength of end-product demand. Government spending, consumer buying and foreign demand for American goods has been well maintained despite drastic cuts in business spending for inventory and capital goods.

The contraction in hard goods has not seriously affected consumer outlays either for soft goods or services. In the aggregate, purchases of goods and services by consumers and government are only $1.5 billion below their 1957 peak. Federal spending in the months ahead will begin to rise, reflecting the acceleration in defense-contract placement earlier this year.

A major depressant, excess capacity, still overhangs the market at midyear. This may well retard recovery for some major capital goods producers for many months to come. The second major imbalance, excessive inventories, is rapidly being corrected. Prospects for a modest business upturn late this year depend upon a reversal of inventory liquidation, the scheduled rise in defense outlays, and continued stability of consumer purchases of soft goods and services. While these may form the basis for recovery, the continuance of temporary overcapacity in turn suggests the upturn when it comes may be slower and far less widespread than in our earlier postwar experience.

*From an address by Mr. Gainsbrugh before Triple Industrial Supply Convention, New York City, May 26, 1958.

Changes in Industrial Production, 1956-1958

(Seasonally adjusted index numbers, 1947-1949 = 100)

Industry—	1956-1957 Peak Month	1956-1957 Peak Index	April 1957	April 1958	Per Cent Change 1956-1957 Peak-Apr. 1958	Per Cent Change Apr. 1957-Apr. 1958
Industrial production	Dec. 1956	147	144	126	—14.3	—12.5
Manufactures	Dec. 1956	149	145	128	—14.1	—11.7
Durable manufactures	Dec. 1956	167	160	133	—20.4	—16.9
Primary metals	Sep. 1956	148	134	86	—41.9	—35.8
Fabricated metals	Nov. 1957	141	138	121	—14.2	—12.3
Nonelectrical machinery	Dec. 1956	157	152	125	—20.4	—17.8
Electrical machinery	Dec. 1955	216	196	169	—21.8	—13.8
Transportation equipment	Dec. 1956	223	216	177	—20.6	—18.1
Instruments	Aug. 1957	174	172	158	— 9.2	— 8.1
Stone, clay, and glass	May 1956	162	155	132	—18.5	—14.8
Lumber and products	Aug. 1956	130	*115	*109	—16.2	— 5.2
Furniture and fixtures	Aug. 1957	123	120	110	—10.6	— 8.3
Miscellaneous manufactures	Oct. 1956	146	141	128	—12.3	— 9.2
Nondurable manufacturers	Aug. 1957	132	130	124	— 6.1	— 4.6
Textile mill products	Feb. 1956	110	*101	*91	—17.3	— 9.9
Apparel and products	Oct. 1956	117	*112	*98	—16.2	—12.5
Rubber Products	Jan. 1956	147	*145	*116	—21.1	—20.0
Leather and products	Feb. 1956	111	†104	†98	—11.7	— 5.8
Paper and products	Aug. 1957	163	*157	*149	— 8.6	— 5.1
Printing and publishing	Dec. 1957	142	140	137	— 3.5	— 2.1
Chemicals and products	Aug. 1957	186	*182	*178	— 4.3	— 2.2
Petroleum and coal	Jan. 1957	146	142	127	—13.0	—10.6
Food and beverages	Dec. 1957	114	*114	*114	0	0
Tobacco manufactures	Sep. 1957	114	*111	†112	— 1.8	+ 0.9
Minerals	Mar. 1957	132	131	109	—17.4	—16.8
Coal	Mar. 1957	92	87	62	—32.6	—28.7
Crude oil and natural gas	Feb. 1957	154	151	130	—15.6	—13.9
Metal, stone & earth minerals	Sep. 1956	143	*130	116	—18.9	—10.8

*March. †February. ‡Preliminary.

SOURCES: Federal Reserve Board; The Conference Board.

Robert Seebeck With Smith, Barney & Co.

Robert F. Seebeck

Smith, Barney & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, announce that Robert F. Seebeck has become associated with them in the syndicate department.

Frederic C. Coltrin Hugh Long V.-P.

ELIZABETH, N. J. — Hugh W. Long & Co., Inc., Westminster at Parker, announce the election of Frederic C. Coltrin as Vice-President and General Sales Manager.

With Joseph, Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harold M. Thorman has joined the staff of Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 38) on growth of civilian nuclear projects, planned new uranium-milling capacity to be allocated by AEC, and developments affecting Algom and Pronto Uranium Mines—Atomic Development Mutual Fund, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Building Outlook—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Economic Outlook—Analysis with a discusion of the final report of the Gordon Commission—Burns Bros. & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Cement Industry—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **International Harvester Company,** and **American Sugar Refining Company.**

Fire & Casualty Insurance Stocks—1957 earnings comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Inflation and the Stock Market—Discussion in the current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are analyses of **Biscuit-Bread Bakers, Soft Drinks,** and a list of selected companies with extreme liquidity, and two selected portfolios, one conservative, the other aggressive.

Insurance Stock Survey—Annual comparative analysis of 109 of the country's leading insurance companies—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Investors Favorite Stocks—In the current issue of "The Exchange"—"The Exchange," 11 Wall Street, New York 5, N. Y.—$1 per year. Also in the same issue are discussions of book value vs. market value, and **American Motors Corporation** and **MIP.**

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Latest Field Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Marine & Fire Insurance Industry in Japan — Discussion in "Monthly Stock Digest" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is a review of Japanese business conditions and data on **Isuzu Motor Co., Nihon Cement Co., Mitsubishi Electric Manufacturing Co., Toyo Electric Manufacturing Co., Tokyo Gas Co.** and **Fuji Precision Machinery Co.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Preferred Stocks Most Widely Held in 245 Common Trust Funds—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a special **Atomic Energy Review,** a study of security purchases and sales of 53 investment management groups during the first quarter of 1958, and a discussion, in the "Pocket Guide" of 20 companies with sizable stock portfolios.

Rails—Discussion of prospects for appreciation—with particular reference to **Atchison, Topeka & Santa Fe, Baltimore & Ohio, Southern Pacific,** and **Southern Railway**—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Recreation Stocks — Discussion with particular reference to **Standard Steel Products Manufacturing Company** and **Eastman Kodak Company**—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Selected Food Stocks—Review—James Richardson & Sons, 173 Portgage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Stock Options—Booklet on how to use them—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

American Bosch Arma Corporation—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

American Distilling Company—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of **Food and Food Chain Stocks** with particular reference to **Best Foods, Inc., Campbell Soup Co., Jewel Tea Co., Kroger Co., Safeway Stores, Inc.** and **Standard Brands, Inc.**

Automatic Canteen—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is an analysis of **Phillips Petroleum Company,** and a memorandum on **Plough Incorporated.**

Bergstrom Paper Company—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Chance Vought Aircraft—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Cluett, Peabody & Co.—Analysis—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y.

Ducommun Metals & Supply Co.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Electronics Associates, Inc.—Analysis—G. C. Haas & Co., 65 Broadway, New York 6, N. Y.

Emery Air Freight Corp.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular is an analysis of **Texas Natural Gasoline Corp.**

Federation Bank & Trust Co. of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Great Northern Paper Company—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Hoffman Electronics Corporation—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Hoskins Manufacturing Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **International Breweries, Inc., The Prophet Co., Shatterproof Glass Corp., Tecumseh Products Co.** and **W. J. R. (The Goodwill Station) Inc.**

La Salle National Bank—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **United States Life Insurance Co. in the City of New York.**

Old Republic Life Insurance Co.—Memorandum—Richard Gray, 3626 Kings Highway, Brooklyn 34, N. Y.

Parker-Hannifin Corp.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Peabody Coal Co.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Penick & Ford, Ltd.—Memorandum—Green Ellis & Anderson, 61 Broadway, New York 6, N. Y. Also available is a memorandum on **Standard Brands, Inc.**

Pure Oil—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Diners Club.**

Reynolds Tobacco Co.—Analysis in current "ABC" letter—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. In the same issue are analyses of **International Telephone & Telegraph Corp., Columbia Broadcasting System, Inc., Ryder System, Inc.** and **Thrifty Drug Stores Co., Inc.** Available also are the current Amott-Baker **Real Estate Bond & Stock Averages.**

Southern Nevada Power Company—Analysis—G. A. Saxton & Co., 52 Wall Street, New York 5, N. Y.

Tenney Engineering, Inc.—Report—Milton D. Blauner & Company, Inc., 115 Broadway, New York 6, N. Y.

F. W. Woolworth Co.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their Summer Outing on June 20, 1958, at the Overbrook Country Club, Radnor Township, Pa. Jack Christian of Janney, Dulles & Battles, Inc., is Chairman of the event, assisted by Bill Radetzky of New York Hanseatic Corp.

COMING EVENTS

In Investment Field

June 12, 1958 (Boston, Mass.)
Boston Securities Traders Association annual outing at Salem Country Club, Peabody, Mass.

June 13, 1958 (Cleveland, Ohio)
Cleveland Bond Club spring outing at Kirtland Country Club.

June 13-14-15, 1958 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual Spring Party at the Coronado Hotel, Coronado, Calif.

June 13, 1958 (Milwaukee, Wis.)
Milwaukee Bond Club annual outing at Oconomowoc Lake & Country Club, Oconomowoc, Wis.

June 13, 1958 (New York City)
Municipal Bond Club of New York 25th annual field day at Westchester Country Club, Rye, N. Y.

June 18, 1958 (Boston, Mass.)
Boston Investment Club outing at Essex Country Club.

June 18-21, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

June 20, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Overbrook Country Club, Radnor Township, Pa.

June 24, 1958 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan annual summer outing at the Lakepointe Golf Country Club.

June 27, 1958 (Detroit, Mich.)
Bond Club of Detroit annual summer outing at Lakepointe Country Club.

June 27, 1958 (New York City)
Investment Association of New York outing at Sleepy Hollow Country Club, Scarborough on the Hudson, Scarborough, N. Y.

June 27, 1958 (New York City)
Syndicats summer outing at Nassau Country Club, Glen Cove, L. I., N. Y.

June 27, 1958 (Philadelphia, Pa.)
Philadelphia Securities Association annual outling at the Overbrook Golf Club, Bryn Mawr, Pa.

June 28, 1958 (Chicago, Ill.)
Security Traders Association of Chicago summer golf outing at the Woodridge Country Club, Lisle, Ill.

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

The Outlook for Coal

By BARTON R. GEBHART*
Vice-President, Freeman Coal Mining Corp., Chicago, Ill.

Coal executive paints a bright, long-run picture of coal's prospects and advantages and completes the picture with a description of some present-day difficulties now facing the coal industry. Mr. Gebhart concedes, despite his conviction more coal will be needed with every passing year by utilities, steel, cement and other industries, export and domestic sales, railroads and, paradoxically, atomic energy age, that present competition from imported residual oil and natural gas sold at "dump rates" is proving to be a "bad headache." Urges limitation of the former and FPC control over the waste involved in the latter. Expresses gratification that prices for standard coal grades have now pretty well stabilized.

You can hardly pick up a newspaper these days without reading a story about the United States launching a new satellite or long-range missile—or explaining why the latest attempt fizzled. We are told repeatedly that we stand at the threshold of the space age. It may be relatively only a few years before we are advised to make reservations quickly if we want to see Mars before the tourists spoil it.

The technological feats of this challenging new era may eventually make Buck Rogers seem to be a conservative and Jules Verne a rock-ribbed reactionary.

Therefore, I bring you a paradox: This supersonic age of barely predictable miracles will be based to an increasing extent on a product that is 250 million years old. The predominant fuel that will power and heat American industry in the decades immediately ahead will be bituminous coal.

This may seem a bold statement to make to purchasing agents who are trained to think of materials in terms of economy, efficiency, reliability and ample supply. That is exactly the kind of thinking we want about bituminous coal, so let me talk a bit about the outlook for coal in the space age.

Basis for Bright Coal Outlook

In the first place, we aren't all going out of this world. Most of us, and our children and grandchildren, plan to linger as long as we can on the planet we know best. And while we are here we will be buying and using — and making — more and more electric appliances and chemical wonders and automobiles and aircraft and highways and a thousand other things. To make these things—including missiles and satellites and eventually space ships — requires vast amounts of energy. And coal is the nation's most abundant source of energy. The reserves of coal in the United States are enough to last many hundreds of years—long after the last drop of crude oil or whiff of natural gas has been squeezed out of reserves now known or suspected.

In broad terms, this is the reason why the coal industry can look beyond the present to a bright future. Coal does have some difficulties right now and I want to discuss those. But first let us look a few years ahead.

The largest customer for coal is now the electric utility industry. Coal generates more electricity than all other fuels and water power combined. Electric utilities used some 160 million tons of coal last year, and their coal consumption is constantly increasing with the booming use of electric energy. The projected pattern of utility growth, predicated upon the needs of our rapidly expanding population, seems least susceptible to swings in the economic cycle, and thus provides a steady expectancy for coal.

What About Atomic Energy?

This brings up the inevitable question from persons entranced by the glittering developments of the space age: What about atomic energy? Won't a few pellets of uranium solve all our power problems cheaply and easily?

The utility industry has furnished its own answer. It is building more coal-fired plants. True, some companies are erecting experimental commercial-scale atomic power reactors, usually with government subsidy, but they operate at far higher cost.

Dr. C. Guy Suits, Vice-President and director of research for General Electric Company, recently told 600 utility executives that there is nothing on the technological horizon to replace steam turbines . . . "not on a big scale or in the near future," he said. Dr. Suits predicted that fission power is not yet economically feasible, and fusion power — the house-broken hydrogen bomb — is at least 20 years away.

At the same session, in Boca Raton, Fla., the utility executives heard this prediction from Fischer Black, editor and publisher of "Electrical World": Coal will be "the predominant factor in the fuel picture between now and 1975." He said, incidentally, that fusion power might be 50 years away, not 20.

Mr. Black said the 152 billion tons of coal reserves east of the Mississippi River alone (and there are vast reserves in the west) would last 300 years at present consumption rates. And he forecast that coal prices would rise much more slowly than prices for oil and natural gas. In some sections of the country, he said, natural gas will all but disappear as boiler fuel by 1975. He made this prediction: "Not only will the use of coal (by the utility industry) increase over threefold in the next 18 years, but its share of power generation will rise from 55% of annual production to at least 66.5%."

The utility industry, by the way, is an outstanding example of increasing efficiency in the use of coal. In 1946 it took an average of 1.29 pounds of coal to produce one kilowatt hour of electricity. In 10 years that figure was reduced to 0.94 pound, a decrease of 27%. Some experts say 10 more years may bring it down to 0.70 pound.

Not far ahead lies another jump in the use of coal-fired electricity for home heating. Only last month, R. G. MacDonald, Vice-President for marketing of the West Penn Power Company, said this may require another 375 million tons a year. He said "coal by wire" now heats 380,000 homes—a figure that will rise to one million homes by 1960 and will include 40% of all new homes by 1970.

Cites Another Paradox

Predictions of experts have acquired a habit of being changed or modified by unforeseen developments. It therefore seems not unreasonable to suppose that commercial, unsubsidized atomic power may grow on the American scene earlier than anticipated, although most likely in areas removed from the sources of economically produced coal. But here arises another paradox: The manufacture of enriched uranium requires huge quantities of coal, the Atomic Energy Commission through its various operations being one of the nation's largest single purchasers of bituminous coal. A commission spokesman has stated his opinilon that coal consumption (for this purpose) will probably double during the next 15 years.

As for satellites, it is not far-fetched to suggest that the first rocket to the moon may be propelled into space by coal. Another General Electric official has stated that solid and liquid chemicals burned as rocket fuel are now being produced from coal and that the missile program expansion will place an even greater demand on the coal-based chemical industry.

Coal's second largest customer is the steel industry, which used nearly 115 million tons last year in coke ovens and otherwise. Steel is somewhat in the doldrums right now, like much of our highly integrated economy, but this is obviously temporary and its long-range future appears secure. About one pound of coal is required to make a pound of steel. It seems unlikely that radical technologies being investigated will, in the foreseeable future, change the position of coal as the foundation of steel production.

Speaking of metals, a growing amount of the coal burned by electric utilities produces power to make aluminum. Major aluminum companies are locating in the Ohio Valley where abundant coal supplies move only short distances to generating stations which furnish the vast amounts of power required. It takes about seven pounds of coal to make a pound of aluminum. The companies find this is sounder economics than hauling their ore from the Gulf Coast to the power dams of the Pacific Northwest and then shipping the metal back across the continent to their major markets.

"Other Industrials," along with the cement industry, which is a large, important and growing user of coal, represents my industry's third largest consumer classification, requiring last year, in total, nearly 100 million tons. This is one of the most fertile fields for increased use of coal.

Explains Proof of Economy

In fact, to service such industrial customers, the coal industry and related interests including equipment manufacturers, have established and support a sales engineering organization called Bituminous Coal Institute, as an affiliate of the National Coal Association. BCI provides engineering services, information and assistance to the men who select fuels and combustion equipment for new construction or for the modernizing and improvement of existing plants. Qualified BCI field engineers in 15 districts throughout the nation, plus the technical staff in Washington headquarters, furnish fuel cost surveys, engineering designs, equipment cost figures and other information pertinent to every job in which they are permitted to assist. More than a thousand committeemen from the coal industry help in this work.

BCI shows industrial users that coal burned in modern automatic equipment is economical, efficient, clean and trouble-free. It demonstrates in the most convincing way—on a solid dollars-and-cents basis — why industrial firms should use coal, and use it in up-to-date automatic equipment for coal handling combustion and ash removal.

Let me cite you some examples from BCI cases:

Goodyear Tire and Rubber Co. at Akron, Ohio, modernized its 30-year-old steam generating equipment. It increased steam generating efficiency from 65 to 82%, at a saving of $3,000 a day. Motor Products Corporation of Detroit replaced outmoded equipment at a cost of $205,000 and saved $54,000 a year in time, labor and fuel. That investment pays off in just four years.

These are modernizations. How about new installations? Well, the ultra-modern 41-story Prudential Building here in Chicago, recently completed, burns coal the modern way with automatic equipment. On the western outskirts of Chicago, the big Hillside shopping center, completed in 1956, burns coal at an estimated annual saving of $26,000 below the price of competing fuel.

Choice of fuel and equipment by these companies was, of course, based on the hard facts of engineering studies. But here is another factor they probably considered—and which every fuel buyer might well bear in mind:

Coal Reserves and Price Stability

Proved reserves of oil and natural gas in this country are being used up at a rapid pace. While it is true that more reserves are being discovered at a rate which barely keeps up with consumption, the cost of discovery and development and of recovery, is steadily climbing. This inevitably means price increases for coal's principal competitors.

What about coal? As already stated and as government geological records reveal, the coal reserves of the United States are enormous, enough for many hundreds of years. One authority, Harlan W. Nelson, economics consultant to the Battelle Memorial Institute of Columbus, Ohio, after a study of coal reserves east of the Mississippi concludes that "large amounts of coal at reasonable prices will be available for many years in the eastern region." He

Continued on page 27

*An address by Mr. Gebhart at the National Association of Purchasing Agents Convention, Chicago, Ill.

Outlook for Real Estate Finance

By MILES L. COLEAN*
Consulting Economist, Washington, D. C.

A leading consulting economist anticipates larger volume of mortgage financing this year than last and calls attention to encouraging prospects in store for home and other types of real estate activity. Disagreeing with common belief regarding effectiveness of monetary policy during a decline, Mr. Colean states "monetary policy in a recession obviously has succeeded." Notes plentiful supply of mortgage money on hand, expects sluggish interest rates to move slowly downward, and praises Congressional action in bringing insured and guaranteed mortgages within the range of the market. Finds cheering the recent increases in insured and guaranteed loans and, even more cheering, revived confidence of home builders.

Amid a business situation that still is fairly cloudy, at least one thing — and a very encouraging one — is clear. There will be plenty of money for financing real estate operations. Moreover, mortgage interest rates are lower than they have been in several years and the trend is downward.

Miles L. Colean

This is quite in contrast to the situation that prevailed a year ago. At that time there were complaints that real estate was the principal victim of the so-called tight money policy. Whether or not that was true is open to considerable argument. But there is little question that today real estate is a principal beneficiary of an easier monetary policy.

It will be worthwhile to take a look at the changes in circumstances that have brought about this happy prospect. Last year brought to culmination a three-year period of vast capital expansion. Rising from a total of $16 6 billion in 1953, net investment in real estate mortgages and corporate stocks and bonds reached a high point of $22.3 billion in 1955 and remained stable at a slightly lower level for two years—$21.9 billion in 1956 and $21.7 billion in 1957.

Within this total, however, notable shifts took place as between mortgages on the one hand and stocks and bonds on the other. The mortgage part rose from $9.9 billion in 1953 to $16.2 billion in 1955 and then fell off to $11.6 billion in 1957. For those who think mortgages are the step-children of the investment market, it may be noted that in each of the years covered mortgages accounted for more than half the capital outlays in the included areas. In 1955, mortgages accounted for nearly 73% of the total and in 1956 about 67%.

Roughest Mortgage Years

The roughest years for mortgages were 1953 when the ratio to the total was just under 60% and last year when it fell to about 53%. Since in both these years restraint was being put upon the expansion of credit, it is easy to conclude that monetary conditions were the cause of the relative disadvantage at which mortgage investment found itself in these periods.

There are two reasons that I think account for this appearance. One is the effect of arbitrarily administered interest rates on FHA and VA mortgages which causes sharp changes in the availability of funds for these mortgages whenever the general movement of interest passes the level of administered rates on either the upor the downswing. The other is the characteristic lag in changes in mortgage interest rates in comparison with interest rates generally.

Neither of these circumstances is directly attributable to the effects of monetary policy; and it is safe to assume that without them, the year-to-year stream of mortgage finance would run much more smoothly. All we have to do for evidence of this is to look at the remarkable stability of residential construction financed with conventional loans, where interest rates are free to move with the market, amid the frantic fluctuations of that financed with insured and guaranteed mortgages.

There were of course many other demands on the money supply during the past few years than those mentioned. Consumer credit climbed precipitately from outstandings of $38.7 billion at the beginning of 1956 to $44.8 billion at the end of 1957. Inventory accumulation during this period also exerted a strong pull on funds. On the whole, no previous period has seen such an outpouring of credit —an outpouring which monetary actions undoubtedly restrained but could not diminish.

It was only when the combination of high prices and reluctant consumers revealed a temporary excess of productive capacity, that the credit boom slowed down. And it may be noted that, as soon as they were convinced this was so, the Reserve authorities went into reverse action. Through a series of actions beginning with an increase in open market operations last October, the net volume of member bank reserves has been increased about $1 billion, with a resultant potential credit expansion of $6 billion.

Monetary Ease Found Successful

Much skepticism has been expressed about the effectiveness of monetary policy in a recession. You have heard the expression that the relaxation of credit in the midst of a general decline is like "pushing on a string." In this instance the string appears to have been a stiff one. From the end of November to the beginning of May the total loans and investments of commercial banks increased about $7 billion compared with a growth of $1 billion in the same period of the previous year.

According to Woodlief Thomas, the Economic Adviser to the Board, "The total increase in five months, when a seasonal increase is not customary, has been much greater than might occur in one year." Monetary policy in a recession obviously has succeeded. An enormous volume of bank reserves has been created, interest rates — from October through January—have fallen further and more sharply than in any similar period, and the credit made available has been rapidly absorbed.

How does all this affect real estate finance? There are a number of ways and their impact is increasing. First, the decline in interest rates, combined with the sensible action of the Congress in eliminating discount controls and in giving some flexibility to VA interest rates, has brought insured and guaranteed mortgages within the range of the market. Second, the so far modest drop-off in new corporate issues has helped the competitive position of mortgages.

By far the greatest impact, however, I am sure has been the remote one coming from the heavy infusion of bank reserves. What has happened is that the banks, in face of lowered demands for consumer loans and normal business credit, have invested heavily in securities and loans on securities. In other words the main effect of credit relaxation so far has been to bring new competition into the long-term investment market at the very time that the volume of new corporate issues faced a decline. The institutions normally in that market, already contemplating an increase in the supply relative to the demand for funds, are being forced to look around — and the only place to look is the mortgage market.

I know that some may feel that they might look a little faster or a little harder. Many may wonder why, with high grade corporate rates down from peak yield of 4.12 to 3.55 and long-term governments from 3.66 to 3.14, that mortgage interest rates have not experienced a similar drop. Part of the answer is that mortgage rates are sluggish. In the absence of anything comparable to the bond market, day by day quotations are impossible. Mortgage rates are reached by private negotiation rather than public trading, and the result is a cumbersome and insensitive process.

More Mortgages and Lower Rates Ahead

By the same token, mortgage rates may have declined more than is revealed to outer observation. Certainly some change has taken place. As I interpret the National Association of Real Estate Board's spring mortgage market report, the trend is clearly downward and the absolute change can be fairly safely put at a quarter of a point. Changes of as much as one-half a point in the rate offered for attractive commercial properties are no longer uncommon. I expect some further drop to occur. I do not think that the full impact of the past Federal Reserve actions has yet been registered on the mortgage market; and I doubt that the Reserve has yet come to the end of positive measures on the side of credit ease.

The same question may be raised in respect to the enlarged supply of mortgage funds that has been raised about credit generally. Will the borrowers appear? I have little doubt of an affirmative answer. As to transactions involving home purchase or building, there now appears to be real assurance. The recent increase in applications for insured and guaranteed loans has been even more dramatic than the upsurge that followed the easing of credit in 1954. The number of sales of existing houses is obviously stepping up and the number of new houses to be built is on the rise.

Even more cheering is the revived confidence that home builders are showing in their prospective market. A recent survey conducted by the National Association of Home Builders indicates that three out of five builders have expanded their scheduled operations for 1958 since the change in the credit situation and that the great majority feel that sales will be as good or better this year than last, basing this conclusion on the generally reduced number of unsold houses and a noticeable pickup of sales in the past few weeks.

Prospects for other types of real estate activity are also good. Conventional loans on commercial and apartment property remain in a favored class with many investors, and the same is true of sale-lease backs, especially where there is a single tenant with a high credit standing. And again there is accumulating evidence that the available funds are not going begging.

After a disappointing first quarter in which business uncertainty was aggravated by about as bad a stretch of weather as construction has endured in many years, contract awards have taken a vigorous upturn. Not only are they at last showing a strong—an unusually strong-seasonal movement; they have also jumped substantially ahead of their last year's performance.

At the end of the first quarter, the dollar amount of contract awards, as reported by the F. W. Dodge Corporation, had fallen more than 10% behind the volume of the first quarter of 1957. In sharp contrast, preliminary estimates for April show a general increase of 18% over last April. Apartment house contracts were up 13%; commercial buildings were up 18%; while the year-to-year drop in the volume of industrial building contracts had narrowed from the 50% characteristic of recent months, to only 8% from April to April.

Office and Apartment Building Uptrend

All this should be good news. There will be plenty of business to be done in the development and financing of large properties as well as of individual houses. For example, despite the continued weak showing of projects financed with insured mortgages, we appear to be in the midst of at least a mild renascence of apartment building. Even amid last year's restricted credit conditions, the number of dwelling units started in apartment buildings reached nearly 119,000 compared with less than 83,000 in 1956 and 86,000 in 1955 when money had been much easier to come by. This year the uptrend continues.

The same trend is widely true of office building construction, which in many places has yet to hit a full stride. Last year shopping centers and other types of mercantile building fell a victim to high money costs and low profit margins. There are evidences that a number of projects so held back are now going ahead. More are likely to follow.

All in all we are certain to have a larger volume of mortgage financing arranged this year than last. And out of this we appear also certain to have close to the same volume of private construction as we had a year ago, along with the promise of a still better year ahead. If our troubles were confined to those that confront us in our own area, we should have very little to perplex us.

*An address by Mr. Colean before the Institute of Real Estate Management sponsored by National Association of Real Estate Boards, Washington, D. C., May 22, 1958.

Paul A. Fund Joins Van Alstyne, Noel

Paul A. Fund has joined the New York Stock Exchange firm of Van Alstyne, Noel & Co., 52 Wall St., New York City, members of the New York Stock Exchange, and will collaborate in private placements, underwritings and special situations in addition to continuing the activities previously engaged in by The Fund Company, Inc., it has been announced. Mr. Fund was formerly President of The Fund Company, specialists in real estate investment banking, real estate and corporate financing.

Mr. Fund has long been identified in real estate investment circles. In 1945 he activated and administered until 1956 a read estate and corporate financing department as Vice-President with the Joseph J. Garibaldi Organization in New Jersey.

Harold Cook President of Bond Club of N. Y.

Harold H. Cook of Spencer Trask & Co. has been elected President of The Bond Club of New York to succeed Sumner B. Emerson of Morgan Stanley & Co. The election and annual

Harold H. Cook

W. B. Chappell

Allen J. Nix

meeting took place as one of the main events of the Bond Club Field Day June 6th at the Sleepy Hollow Country Club.

William B. Chappell of The First Boston Corp. was elected Vice-President to succeed Mr. Cook. The new officers also include Allen J. Nix of Riter & Co. as Secretary and Macrae Sikes of Shields & Co. as Treasurer.

Four new members of the Board of Governors, elected today, are Ernest W. Borkland of Tucker, Anthony & R. L. Day, Allen C. DuBois of Wertheim & Co., Avery Rockefeller, Jr. of Dominick & Dominick, and Earl K. Bassett of W. E. Hutton & Co.

Banking and Government Policies To Provide Jobs and Growth

By CHARLES C. ABBOTT*
Dean, Graduate School of Business Administration
University of Virginia

Distinguished economist and writer on Federal debt suggests to Senator Byrd's Finance Committee immediate measures that can be done to increase jobs without any outlay of public funds. Dean Abbott discerns no cure-all value in public works program, designed to check unemployment, and discusses three major economic ailments now afflicting us. In listing factors responsible for price inflation, he refers to mutual security military and foreign aid expenditures that generate purchasing power not matched by goods flowing back into domestic civilian consumption. Would limit normal fiscal policies to three specified objectives and give to monetary authorities the job of acting as economy's balance wheel.

My remarks deal broadly with the 17 questions included with Senator Byrd's letter of last Feb. 17. These questions and the Senator's letter raised two general questions in my mind, to which I address myself.

Charles C. Abbott

(1) Is our banking system, are our procedures for investing the people's savings in industry, are our methods for controlling costs, adequate to provide for and foster the economic growth that is necessary to give our country a rising standard of living and more important—ensure the economic and military safety of the Republic?

(2) What part should the Federal Government play in checking the current recession in business activity?

The most recent figures I have seen suggest that national output has thus far declined only about 4% from its all-time peak, that employment is only 2-3% less than it was a year ago and that personal income may be 2% below the peak of last August. Unemployment is largely concentrated in the heavy goods industries.

No Cure for Public Works

This current check to economic expansion should **not** be seized on as an excuse for creating deficits and spending the public's money on projects of doubtful value. I say this for several reasons. First, if I read Secretary Anderson's remarks correctly, we are going to have deficits anyway. There will be plenty of deficit spending, without deliberately creating it. Second, larger government spending, irrespective of whether it helps **some** of our present problems will certainly make **others** worse. It is not a cure-all for every ailment of the body politic. Third, the time-lags involved in setting large public works in motion are typically such that these expenditures don't come quickly enough to accomplish their purpose. Fourth, public works expenditures on any practicable scale would probably not cure the recession. The great public works expenditures of the 1930's did not cure the great depression of that decade and there were still 9-10 million persons unemployed at the time of Pearl Harbor.

In communities where unemployment brings hardship to individuals, the hardship should be alleviated at the local level as a matter of relief. But relief, in the form of public works, should not be disguised as a cure for declining business activity, since it won't cure it.

The current check to economic expansion ought to be used as an opportunity for enacting reforms that will make the economy work better, not just as an excuse for spending money. It ought to be the occasion for instituting reforms that deserve enactment on their own merit and which, if enacted, will not only provide jobs but will also strengthen the bases for increased production in the future, on which our national security and welfare depend. Public policy should be directed toward stimulating the kinds of private spending that are needed, not toward using public money in place of private money. In particular, public policy should seek to encourage the kinds of business expenditure on plant and equipment that will reduce costs and increase productivity.

I make this last point for three reasons. First, the reduction in business expenditure since the fourth quarter of 1957 has been one of the chief causes of the decline in business activity. Second, we do not need business expenditure just to increase capacity—in several lines of business we have too much capacity now—but we do need investment of the type that will improve efficiency and cut costs. Third, persons better informed than I tell me there are reasons to believe spending of a cost reducing type, stemming from technological advance, may begin on a considerable scale in 1960 and 1961. If that is so, it would make sense to try to move some of this type of spending forward.

Courageous and imaginative leadership could initiate several measures of the type I have in mind, that would be aimed at making the economy work better. Most of them would not require the expenditure of public funds. Presently I shall make two or three specific suggestions. But my essential point is that the government ought, now, to take the steps that it and it alone can take to encourage the types of private spending that will end the recession and reinforce the foundations for future expansion and the government ought not to use the recession as an excuse for attempting to do the things that private initiative, free markets and the private sector of the economy can do better than it can.

* * *

Refer to Three Economic Ailments

Currently the economy suffers from two—perhaps three—major ailments. First, since at least as far back as 1939 there has been a steady and persistent tendency for prices to rise. There have been three postwar waves of advancing prices—1946-48, 1950 and 1955 to date. The dollar is now worth less than half of what it was in 1939. This disaster is partly attributable to war, partly to an inadequate governmental process. It cannot be blamed on the mistakes or selfishness of individual persons or business concerns, whatever their faults may be.

Second, we are currently suffering a modest decline in business activity. A slackening of demand began to show up during the summer of 1957. This was followed by a reduction in inventories that began in the final quarter of last year and by a cut back in business expenditures in this current year, as compared with the very high levels of 1955, 1956 and 1957. These are the immediate causes for the rise in unemployment, not a decline in consumer spending—which has held up very well—nor an inability on the part of the consumer to spend. So-called recession measures designed to bolster consumer spending are like prescribing a weight-gaining diet for a man already as heavy as he should be.

Notwithstanding a little price softening here and there, the business decline has not been accompanied by any general or appreciable fall in prices. My impression is that the consumer price index has just made a new all-time high.

This last consideration suggests what may be a third ailment of the economy—a growing inflexibility in cost-price relationships and an increasing inability to bring costs into line with changing consumer demands and business conditions. This inflexibility stems from the great expansion of contractual commitments in our economy that increase the proportion of fixed costs involved in doing business. Let me cite as just three examples: the growth of taxes at the Federal, state and local levels, governmentally-supported raw material prices and the increasingly rigid labor costs that stem from the monopoly power of labor unions. If the current recession deepens, I would raise a question whether economic historians may not label it the first union-made depression in our history.

Let me tell you why I put the matter this way. To the course in industrial relations in the Graduate School of Business Administration at Virginia, we have, this past spring, invited as speakers a series of the most distinguished economic analysts to be found in our universities. Ten of these guest lecturers have thus far appeared: I have been impressed by the extent to which they ascribe many of our present economic difficulties to the exercise of monopolistic powers by trade unions. There is general agreement on the process through which these difficulties are generated. Under threat of strike unions extract wage increases and other benefits from the economy that are in excess of increases in productivity. These wage increases inevitably push up prices when, as is the case in this country, there is a flexible money supply. That is why the kind of inflation we have today is increasingly referred to as a "wage-push" inflation and — incidentally—this type of inflation cannot be solved through monetary and fiscal policies alone.

There are, of course, many other elements that have contributed to the increase in prices that has taken place since the 1930s. Federal deficits, the increased national debt and the expanded credit base thereby provided have played their part. The rise in the turnover of bank deposits since 1945 has been a factor. So has the incredibly wasteful policy of the government in supporting agricultural prices and so has the increasing volume of services bought by the average family—at a rising dollar cost.

One cause of inflation to which I give weight in my own thinking is the appreciable fraction of the national output that has been absorbed by the military services or sent abroad under foreign aid programs. During the postwar period at least 12% of all our production can be accounted for in this way.

The production of military goods and of goods bought in foreign aid programs places purchasing power in the hands of persons and companies making these goods. But this purchasing power is not matched by goods flowing back into domestic civilian consumption. Military items and foreign aid goods are, as you might say, shot away or sent abroad. They are not available for purchase or consumption here. The purchasing power generated in their production, however, stays at home and compete in the domestic market for the remaining portion of production — and bids up prices.

Federal Job Creating Measures

Let me now turn to some of the things the Federal Government might do to increase jobs, hasten resumption of economic expansion and improve the outlook for the future. None of these measures I shall mention require an outlay of public funds. I should say also that they are essentially meant to be illustrative — they do not constitute a program.

First, consider the relationship of "full employment" and price stability. The Employment Act of 1946 made pursuit of full employment a national policy, but it did not make price stability a national objective. General price stability, leaving individual prices to fluctuate in accord with the dictates of free markets, is at least as much in the public interest as is "full employment." In view of the decline in the value of the dollar it seems clear that both these objectives will not be achieved so long as one has the blessing of the Feedral Government and the other does not. Amendment of the Employment Act so as to make price stability an explicit goal of public policy would greatly strengthen the basis of an expanding economy, and it would require no outlay of public money.

Let me give a second example. The measures already taken by the Federal Reserve Board to reduce reserve requirements of member banks and make credit more generally available are aimed at hastening recovery. Bills now before the Congress looking to a change in reserve requirements are a further step in this direction. These measures are designed both to hasten recovery and to serve as long-term reforms

Continued on page 26

*A statement by Dean Abbott before Senate Finance Committee on Financial Condition of the United States, Washington, D. C.

Administrative Prices in Recession and Inflation

By GARDINER C. MEANS*
Formerly Associate Director of Research and Consultant for Committee for Economic Development
Currently Consultant to the Fund for the Republic

Originator of the term "administrative prices" urges immediate, temporary suspension of the 20% withholding tax on the first bracket personal income tax and, also, Federal deficit financing through the banking system, after pointing out administrative price-wage characteristic of our economy prevents automatic, self-correcting recovery in the absence of expanded buying power. Mr. Means claims administered inflation in the absence of excess demand cannot be stopped by tight money policies without creating unemployment, and that the absence of downward revision of prices and wages during a recession prevents monetary policy and public works from succeeding except after considerable delay. Hence, the economist recommends a "buying power expansion program" consisting of personal tax cuts and Federal debt-monetization *via* commercial banks to achieve sizable increase in demand and supportable money supply.

I have been asked to discuss the role of administered prices in recession and inflation. Ordinarily we think of the two conditions of recession and inflation as two different situation — you can have one or the other. But today we seem to have both simultaneously. I think we may find that administered prices are an important key to understanding not only recession, but also the kind of inflation that can occur in the presence of a recession.

Two Types of Inflation

Actually there are two types of inflation in which administered prices play quite different roles. First, there is the traditional type arising from an excess of demand —an inflation from too much money chasing too few goods. I will call this a monetary inflation. Second, there is what I have called an administrative inflation in which administered prices and wage rates are raised without an excess of demand. The different role of administered prices in these two types of inflation is most striking.

In a monetary inflation, flexible-priced commodities respond quickly to the excess demand, while administered prices operate to slow up the general price rise. This was true, for example, in the inflation which occurred just after World War II. The war generated both a pent-up demand for goods and a big increase in the money supply. As a result, there was a much larger stock of money than the community would choose to hold for long at full employment and the existing level of prices. The resulting excess in demand shot market prices up rapidly while administered prices and wage rates slowly spiraled after. In fact, when the *average* of prices came into balance with the money supply, market prices had greatly overshot the mark and administered prices and wage rates had not yet reached balance with the money supply. As a result there was quite a period in which flexible prices were falling and administered prices were rising. Thus a monetary inflation which arises from excess demand is dominated by a rise of flexible prices with administered prices and wage rates acting as a brake.

In contrast, an administrative inflation is dominated by a rise of administered prices and wage rates and does not come from an excess of demand. From the point of view of business, and administrative inflation looks as if it is being forced by labor through excessive pressure for wage increases. From the point of view of labor, it looks as if business was pushing up prices by seeking too large profit margins. But in any concrete situation, it is extremely difficult, if not impossible, to say whether particular price increases are necessary to widen profit margins that have been too much narrowed by previous wage increases or wage increases are needed to narrow profit margins that have been too much widened by previous price increases. Or perhaps both price and wage increases are adjustments to price or wage changes elsewhere in the economy. Certainly there is a lot of hen and egg in an administrative inflation. Fortunately we do not need to settle the issue here. What is important is that we can have an inflation from a rise in administered prices without an excess of demand—without too much money chasing too few goods. It is this kind of inflation which can go on even in a recession when there isn't enough demand to support full employment.

The Current Recession

This brings me to the current recession. To discuss it, we need to go back to the capital boom of 1955. In that year, and extending into 1956, there was a great expansion in the demand for new industrial plants, for residential housing, and for automobiles. This durable goods demand does not appear to have been a product of a *general* excess of demand, but rather of a special excess of demand in the heavy goods industries. This special demand not only put pressure on the productive capacity of heavy industry, but also created an excess demand for savings to finance the expansion. In this situation, a tight money policy was appropriately adopted to raise interest rates so as to damp down the demand for capital funds and stimulate saving. Also, the rise in interest rates would somewhat reduce the desirability of holding large money balances, at least for those in contact with the short-term money market, so that a limit was needed on the normal growth in the money supply. In my opinion, the tight money policy in that period was very effectively used.

But by late 1956, the capital boom had sufficiently subsided so that there was no longer serious pressure on either the heavy industries or the capital markets. Under the impact of tight money, new contracts for residential housing had declined substantially; contracts for other new construction were down *in real terms* though the dollar value was stable; new orders for equipment *in real terms* were down substantially; auto sales were much lower; business was in a position to finance a much larger part of its new investment out of retained earnings; and the banking system was no longer having to sell governments in order to make business loans. There was no evidence of excessive demand or over-employment.

At this point, that is in the Fall of 1956 or early 1957, a relaxation of the tight money policy was needed to reestablish the trend of increase in the money supply required for economic growth. But an administrative inflation was underway. Perhaps stimulated by the price and wage increases in the heavy industries growing out of the capital boom, a broad pattern of administered price and wage increases developed in 1956 and much of 1957. As a result, the price indexes were rising steadily even though the prices of such flexible priced industrial raw materials as copper and rubber were declining, and those of farm products, as a group, were relatively stable. (The rise of food prices in recent months came later and mostly from reductions in supply.)

Faced with this administrative inflation, the monetary authorities continued the tight money policy with the announced intention of curbing the inflation, twisting the screws another notch last summer. And this was done in spite of the absence of any general excess in demand and even though real consumer expenditures were lagging behind normal growth. Now a classical monetary inflation which comes from a general excess of demand can be stopped by a tight money policy which shrinks demand. But for much the same reasons, an administrative inflation *in the absence of excess demand* cannot be stopped by a tight money policy without creating unemployment. In my opinion the use of a tight money policy to control an administrative inflation is the chief explanation of our present recession.

Administered Prices and Recession

In order to see how administrative inflation can occur in a recession, we also have to understand how administered prices contribute to a recession. At the time I introduced the term "administered prices" back in the 1930's, the traditional economic theory of that era held that the economy was self-adjusting so that it would automatically tend to maintain full employment. According to this theory any departure from full employment would set up forces which would automatically tend to reestablish full employment.

The basis of this automatic full employment theory was quite simple. If the total demand for goods fell below the amount necessary to sustain full employment, prices and wage rates would drop more or less all along the line. This, in itself, wouldn't create recovery, because, to just the extent that prices and wage rates went down, incomes would go down and so there would be no direct increase in demand. But the effect on the value of the money supply *would* be corrective. If the actual stock of money remained constant, its buying power would increase as the price level dropped and this would, in the classical phrase, make money redundant, that is, individuals and enterprises would find their money holdings more than they wished to hold at the reduced level of prices and would start to spend more. Under this theory the price-wage level would drop to whatever level was necessary to make people just want to hold the total money supply at full employment. And, of course, the classical inflation was the reverse. If total demand exceeded that necessary to support full employment, the price-wage level would rise to the extent necessary to shrink the real value of the money supply to just the amount the community found it convenient to hold at full employment. Using modern engineering language, we could say that according to the classical theory, flexible prices and wage rates provided a cybernetic mechanism tending to keep employment full.

However, the great bulk of industrial prices and most wage rates are administered and relatively inflexible, particularly when it comes to a decline in demand. Once a price or wage rate has been set, a decline in demand of five, or ten, or even 20% may occur without producing a price or wage reduction. We can agree that this is inherent in modern mass production. But look what this inflexibility does to the classical cybernetic mechanism. If there were a fall in total demand and *no* fall in prices and wage rates, there would be no automatic corrective. The cybernetic mechanism couldn't work. The fall in demand would have to work itself out entirely in a fall in sales, employment, and incomes and a further fall in demand—a spiral of recession.

Would this downward spiral keep on going until some outside force brought it to a stop, or would it come to a halt automatically? Here the role of money is again important. As sales, employment, and incomes declined, the desire to hold money balances would also decline. If there were no contraction in the stock of money, individuals and enterprises would sooner or later find they had as much money as they wanted to hold and stop contracting their spending. This would bring the spiral to a halt. Thus, with fixed prices and wage rates, there is an automatic mechanism which would ultimately stop a downward spiral. But this would not automatically produce recovery, since this sufficiency of the money supply itself depends on the reduced level of sales, employment, and demand. If no outside influence came into play, and there were no change in prices and wage rates, the recession would be brought to a halt at a stable level of less than full employment. But there would be no automatic recovery.

It may be suggested that, since the inflexible and intermediately flexible prices are changed from time to time, the initial failure to fall is just a matter of lag. This is, of course, what the classical economists assumed. But a careful study of price behavior in recessions shows no evidence that the difference in behavior is primarily a matter of lag. There is no evidence that, in time, the inflexible prices would be reduced to anything like the level of the flexible prices. I am reminded of a recent news report in which a business executive was quoted as saying that because his volume of sales had fallen, he would have to increase his prices so as to maintain his profits. This is undoubtedly an extreme case, but for such a price administrator a downward adjustment of prices is obviously not a matter of lag. And the same appears to apply to the intermediately flexible administered prices which fall to an intermediate degree in a recession. One must conclude that the classical cybernetic mechanism does not work even with a considerable lag. Where prices range from flexible to inflexible, an initial drop in demand would produce a downward spiral of recession reflected partly in falling prices and partly in falling employment.

However, the automatic mechanism would still bring a recession spiral to a halt, provided the stock of money remained constant. The reduction in the more flexible prices would increase the real buying power of the money supply. The reduction in employment and incomes would contract the real buying power the community would choose to hold in the form of money. The downward spiral would come to a halt when the combination of these two changes had reduced the demand for money balances to the level of the actual supply. But this compound adjustment would not restore full employment since, in fact, the equating of the demand for cash balances and the supply was brought about and depended in part on the reduction in sales, employment and incomes.

Draws Three Conclusions

From this analysis I draw three conclusions:

(1) Because of the inflexibility of administered prices in our modern economy, there is no automatic mechanism tending to maintain full employment.

(2) There is an automatic mechanism which will bring a recession to a stop when employment and incomes have been sufficiently reduced. The stopping point will be reached when the demand to hold money balances has been reduced to the point that it is just satisfied by the outstanding stock of money.

(3) When the stopping point is reached there are no necessary automatic forces making for recovery.

These conclusions do not mean that every recession must depend on new factors to bring recovery. Some recessions can carry the seeds of recovery because of the character of the initial drop in demand. Consider, for example, a pure inventory recession. Under average conditions of growth, business is adding each year to its inventories and this constitutes part of the total demand for goods. But business may add at to rapid a rate and find itself overstocked. Then the process of working off inventories means a reduction in total demand even though demand from all other sources continues to expand at the normal trend of growth. The reduced *total* demand will create the usual recession spiral of reduced production, employment, and incomes; a spiral which will be halted either by the resulting reduced demand for cash balances or the completion of inventory liquidation. When inventory liquidation is completed, if the recession has not been serious, business would presumably resume its trend of inventory building thus again adding to total demand, and the spiral of recovery could be expected to re-establish something like full employment. Here it is not cybernetic mechanism, such as price adjustment which reestablishes full employment, but the fact that the initial source of the decline in demand was in time self-reversing. There is a good deal of evidence that the recession of 1949 was largely of this sort.

There is another type of recession which may bear the seeds of its own recovery, but may also create a downward spiral which is not self-correcting. This is a recession due to a wave of general uncertainty such as can be generated by an outstanding business failure, or a stock market collapse, or by the start of a war abroad. Here a lack of confidence can lead to a postponement of investment and to inventory contractions on the part of business and postponement of purchases, particularly of durable goods by consumers. If no further alarming developments occur, and the recession is mild, confidence may return and reestablish the necessary level of total demand. But such a recession may engender even greater lack of confidence and produce other demand-reducing effects such as a contraction in the money supply and so the recession feeds on itself. This is what I think happened in the 1929 to 1932 depression.

On the other hand, a recession may be caused by actions which carry no element of self-recovery.

Continued on page 23

*An address by Mr. Means before National Industrial Conference Board, New York City.

Misconceptions About Price Behavior, Administered Pricing

By JULES BACKMAN*
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New York University, New York City

Dr. Backman's study of overall prices and administered pricing, and emphasis paid to steel, reveals conclusions at variance with popular belief regarding their respective behavior. The six moderate recessions in past 35 years, the economist explains, contained four that were characterized by unchanged or rising prices and two with moderate price declines—in one of which the index rose the first seven months before declining. Turning to present price pattern, he finds it has been similar to that of 1953-54, and notes upward rise predominates food and services. Professor Backman defines an administered price as one established by executive action in which the firm offers to meet all demands at that price, does not have unlimited price setting freedom nor occur primarily in concentrated industries. Concludes: price cuts do not always stimulate demand; there is a lack of relationship between price and production during recessions; and administered prices are neither new nor unique in our economy.

The Kefauver hearings last summer focused public attention on the nature of steel pricing. Mr. Kefauver "discovered" much to his surprise that steel prices were administered. In terms of novelty, this discovery ranks with that of Moliere's gentleman who discovered he was talking prose all his life. After uncovering the obvious, Mr. Kefauver found that price administration for steel and other industrial products was a major cause of the price inflation which concerned many persons at about that time. However, before the Kefauver Committee wrote its report, the economic climate changed markedly. Recession, rather than inflation, became Public Problem No. One. Mr. Kefauver then became concerned with how it was possible for steel prices to remain unchanged in the face of falling output and demand. In light of this background, it is useful to review the nature of price administration and steel price behavior in periods of recession.

Jules Backman

Defines Administered Pricing

When a price is established by executive action and the company offers to meet all demands (within its capacity to do so) at that price, the price is administered. This is so whether the company sets the price for one week or for one year. In the broadest sense, prices include wages which also are administered. However, today I will be concerned only with administered prices of products and services and not with administered wages.

The term "administered price" is useful primarily to describe the *method* by which a price is determined. Unfortunately, some writers and politicians have used the term as a condemnation of industrial pricing. It is important, therefore, to understand what administered prices are *not*.

The term does *not* involve a judgment that either the process or the price charged is wrong.

The term does *not* indicate whether prices are fair or unfair, whether price behavior is good or bad, or whether prices are too high or too low.

Administered prices are *not* monopoly prices.

They are *not* prices set only by big business.

They are *not* identical with inflexible prices.

Administered prices are typical throughout our economy. Competitive market pricing as postulated in economic theory is applicable in an extremely small proportion of the economy. Approximately nine-tenths of the wholesale price index is in the administered price category. This means that with minor exceptions all buyers of administered steel prices sell their own finished products at administered prices. All retail prices are administered.

Instead of the interplay of large numbers of buyers and sellers determining the price as in an auction market, an administrator or executive or a group of officials determine the price. But the administrator does not determine this price in a vacuum. He cannot set the price at any level he may capriciously determine. On the contrary, the penalty for errors in judgment will be a loss of sales and of profits.

In setting the price, the administrator must consider a host of factors including demand, costs, capital investment, prices of substitute products, nature of the product, government controls, competitors' reactions, and political pressures. The local grocer soon finds out that when he sets prices too high he loses business to the chain store and the supermarket. The coal industry has found that higher prices cause it to lose volume to fuel oil and natural gas. The steel industry finds that higher prices may mean a loss of volume to substitute materials if their prices are not also raised. The railroad must be concerned about the trucker and the airplane. Natural rubber loses markets to synthetic rubber when prices are set too high.

No Unlimited Freedom

The price administrator cannot and need not duplicate exactly the process performed by the market place. But he does not have unlimited freedom in his pricing as some persons have insisted. He is narrowly circumscribed in his freedom of action by the broad forces of supply and demand affecting his products. Moreover, there is no choice as between administered prices and market prices for the overwhelming majority of products. The prerequisites for perfect competition and market price determination just are not present in our economy. These prerequisites include large numbers of buyers and sellers, sale of identical goods by different producers, ease of entry into and exit from the industry, perfect knowledge by buyers, and that standby of economists, "all other things being equal."

Most industries do not have such a large number of buyers *and* sellers that a market price could be determined. To an economist the term "large number" means so many buyers and sellers that no one can influence the price. Suppose, for example, that it were possible to "pulverize" the steel industry into the required large number of sellers (of course, technological requirements make this impossible), would or could the railroads similarly be reduced in size so that the market for steel rails both for buyers and sellers could approximate the theoretical requirements of a market price economy? Or could the automobile industry be so splintered as to meet the requirement of large numbers of buyers of steel sheets? To state these suppositions is to show how unrealistic they are.

How will the additional requirement of homogeneous products (which is met in the steel industry) be satisfied for furniture, automobiles, women's clothes, canned peaches, toothpaste and the host of other products which are predominant in the American way of life? And the problem is further complicated when the various services in the form of credit, research, and other forms of nonprice competition are considered.

The apparel industry can qualify for another prerequisite of perfect competition, namely, ease of entry into and exit from an industry. But how could this condition be met in steel, aluminum, and automobiles, where a huge capital investment is required to enter the business and large past sunk capital investment restricts the ease of exit. Modern technology requires such enormous amounts of capital in many industries that there is an effective barrier to the freedom of new firms to enter an industry—or to leave it.

Concentration Not Significant Requisite

Concentration of output in a few companies is not the primary factor determining whether a price will be administered or whether its price will change significantly over the business cycle. Many products for which production is highly concentrated often fluctuate a great deal in price, while other products with many producers often record only small price changes. In fact, there is little relationship between the behavior of administered prices and concentration.

We find many small items in a drug store, hardware store or stationery store for which prices may not change over a period of months and sometimes for years. These would be and are the most rigid and inflexible administered prices. Yet the prices are determined by small retailers and often for products which are produced by small firms in industries in which there is little concentration of output.

It is clear that administered prices cannot be eliminated from the economy. Any attempt to create in real life the theoretical world of economists, namely, one in which large numbers of sellers are competing in an idealized auction market, would destroy the industrial machine which has made America great. Such action would lead to a significant decline in our standard of living. Clearly, it is an impossible alternative.

In connection with the various criticisms made of administered pricing, several points must be kept in mind in order to maintain some perspective concerning the significance of such pricing:

(1) Administered prices have always been the major type of pricing in our economy.

(2) Nevertheless, despite periodic interruptions to the long-term trend, our economy has experienced a rate of growth and a rising standard of living which is the envy of the world.

(3) The interruptions to this growth, namely, recessions and depressions, have usually been of brief duration. The major depressions have usually followed major wars and have been the direct result of the dislocations accompanying those wars (for example, the 1870's and 1930's).

(4) Most recessions have been small in depth and in duration. It is not true that small declines have been converted into deep depressions because of the alleged inflexibility of administered prices. The most recent illustrations are found in the modest recessions of 1948-49 and 1953-54.

(5) Students of the business cycle usually attribute our periodic recessions to a wide variety of causes including excessive expansion of credit, excessive inventory accumulation, the relationship between savings and investment, underconsumption, wars, and other factors. Administered pricing is not given much significance in lists of casual forces of the business cycle.

Steel Prices and Production

With this background of the nature and role of administered prices, it is instructive to review the past behavior of steel prices and the accompanying changes in output during periods of recession or depression. For this purpose, I have analyzed the changes which occurred in the several recessions in the past 35 years. This study reveals little relationship between the magnitude of changes in the indexes of composite steel prices and in total steel production. This past experience may be summarized briefly as follows. In each instance, the maximum swing in output is compared with the maximum change in price, although the two series may have made their peaks or lows in different months.

During the 1923-24 recession, steel output fell by 55.4% while the maximum drop for finished steel prices was 11.6%.

In the 1926-27 recession, production fell by 31% while finished steel prices declined 7.2%.

In the post-1929 depression, steel production fell 84.7% while steel prices fell 18.8%.

In the 1937-38 decline, production fell 68.3% while prices fell 7.6%.

In the 1948-49 recession, steel production declined 27.7% while prices *rose* 2.9%.

In the 1953-1954 recession, pro-

Continued on page 22

*An address by Dr. Backman before National Association of Purchasing Agents, Chicago, Ill.

Administrative Prices in Recession and Inflation

By GARDINER C. MEANS*

Formerly Associate Director of Research and Consultant for Committee for Economic Development

Currently Consultant to the Fund for the Republic

Originator of the term "administrative prices" urges immediate, temporary suspension of the 20% withholding tax on the first bracket personal income tax and, also, Federal deficit financing through the banking system, after pointing out administrative price-wage characteristic of our economy prevents automatic, self-correcting recovery in the absence of expanded buying power. Mr. Means claims administered inflation in the absence of excess demand cannot be stopped by tight money policies without creating unemployment, and that the absence of downward revision of prices and wages during a recession prevents monetary policy and public works from succeeding except after considerable delay. Hence, the economist recommends a "buying power expansion program" consisting of personal tax cuts and Federal debt-monetization *via* commercial banks to achieve sizable increase in demand and supportable money supply.

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At this point, that is in the Fall of 1956 or early 1957, a relaxation of the tight money policy was needed to reestablish the trend of increase in the money supply required for economic growth. But an administrative inflation was underway. Perhaps stimulated by the price and wage increases in the heavy industries growing out of the capital boom, a broad pattern of administered price and wage increases developed in 1956 and much of 1957. As a result, the price indexes were rising steadily even though the prices of such flexible priced industrial raw materials as copper and rubber were declining, and those of farm products, as a group, were relatively stable. (The rise of food prices in recent months came later and mostly from reductions in supply.)

Faced with this administrative inflation, the monetary authorities continued the tight money policy with the announced intention of curbing the inflation, twisting the screws another notch last summer. And this was done in spite of the absence of any general excess in demand and even though real consumer expenditures were lagging behind normal growth. Now a classical monetary inflation which comes from a general excess of demand can be stopped by a tight money policy which shrinks demand. But for much the same reasons, an administrative inflation *in the absence of excess demand* cannot be stopped by a tight money policy without creating unemployment. In my opinion the use of a tight money policy to control an administrative inflation is the chief explanation of our present recession.

Administered Prices and Recession

In order to see how administrative inflation can occur in a recession, we also have to understand how administered prices contribute to a recession. At the time I introduced the term "administered prices" back in the 1930's, the traditional economic theory of that era held that the economy was self-adjusting so that it would automatically tend to maintain full employment. According to this theory any departure from full employment would set up forces which would automatically tend to reestablish full employment.

The basis of this automatic full employment theory was quite simple. If the total demand for goods fell below the amount necessary to sustain full employment, prices and wage rates would drop more or less all along the line. This, in itself, wouldn't create recovery, because, to just the extent that prices and wage rates went down, incomes would go down and so there would be no direct increase in demand. But the effect on the value of the money supply *would* be corrective. If the actual stock of money remained constant, its buying power would increase as the price level dropped and this would, in the classical phrase, make money redundant, that is, individuals and enterprises would find their money holdings more than they wished to hold at the reduced level of prices and would start to spend more. Under this theory the price-wage level would drop to whatever level was necessary to make people just want to hold the total money supply at full employment. And, of course, the classical inflation was the reverse. If total demand exceeded that necessary to support full employment, the price-wage level would rise to the extent necessary to shrink the real value of the money supply to just the amount the community found it convenient to hold at full employment. Using modern engineering language, we could say that according to the classical theory, flexible prices and wage rates provided a cybernetic mechanism tending to keep employment full.

However, the great bulk of industrial prices and most wage rates are administered and relatively inflexible, particularly when it comes to a decline in demand. Once a price or wage rate has been set, a decline in demand of five, or ten, or even 20% may occur without producing a price or wage reduction. We can agree that this is inherent in modern mass production. But look what this inflexibility does to the classical cybernetic mechanism. If there were a fall in total demand and *no* fall in prices and wage rates, there would be no automatic corrective. The cybernetic mechanism couldn't work. The fall in demand would have to work itself out entirely in a fall in sales, employment, and incomes and a further fall in demand—a spiral of recession.

Would this downward spiral keep on going until some outside force brought it to a stop, or would it come to a halt automatically? Here the role of money is again important. As sales, employment, and incomes declined, the desire to hold money balances would also decline. If there were no contraction in the stock of money, individuals and enterprises would sooner or later find they had as much money as they wanted to hold and stop contracting their spending. This would bring the spiral to a halt. Thus, with fixed prices and wage rates, there is an automatic mechanism which would ultimately stop a downward spiral. But this would not automatically produce recovery, since this sufficiency of the money supply itself depends on the reduced level of sales, employment, and demand. If no outside influence came into play, and there were no change in prices and wage rates, the recession would be brought to a halt at a stable level of less than full employment. But there would be no automatic recovery.

It may be suggested that, since the inflexible and intermediately flexible prices are changed from time to time, the initial failure to fall is just a matter of lag. This is, of course, what the classical economists assumed. But a careful study of price behavior in recessions shows no evidence that the difference in behavior is primarily a matter of lag. There is no evidence that, in time, the inflexible prices would be reduced to anything like the level of the flexible prices. I am reminded of a recent news report in which a business executive was quoted as saying that because his volume of sales had fallen, he would have to increase his prices so as to maintain his profits. This is undoubtedly an extreme case, but for such a price administrator a downward adjustment of prices is obviously not a matter of lag. And the same appears to apply to the intermediately flexible administered prices which fall to an intermediate degree in a recession. One must conclude that the classical cybernetic mechanism does not work even with a considerable lag. Where prices range from flexible to inflexible, an initial drop in demand would produce a downward spiral of recession reflected partly in falling prices and partly in falling employment.

However, the automatic mechanism would still bring a recession spiral to a halt, provided the stock of money remained constant. The reduction in the more flexible prices would increase the real buying power of the money supply. The reduction in employment and incomes would contract the real buying power the community would choose to hold in the form of money. The downward spiral would come to a halt when the combination of these two changes had reduced the demand for money balances to the level of the actual supply. But this compound adjustment would not restore full employment since, in fact, the equating of the demand for cash balances and the supply was brought about and depended in part on the reduction in sales, employment and incomes.

Draws Three Conclusions

From this analysis I draw three conclusions:

(1) Because of the inflexibility of administered prices in our modern economy, there is no automatic mechanism tending to maintain full employment.

(2) There is an automatic mechanism which will bring a recession to a stop when employment and incomes have been sufficiently reduced. The stopping point will be reached when the demand to hold money balances has been reduced to the point that it is just satisfied by the outstanding stock of money.

(3) When the stopping point is reached there are no necessary automatic forces making for recovery.

These conclusions do not mean that every recession must depend on new factors to bring recovery. Some recessions can carry the seeds of recovery because of the character of the initial drop in demand. Consider, for example, a pure inventory recession. Under average conditions of growth, business is adding each year to its inventories and this constitutes part of the total demand for goods. But business may add at to rapid a rate and find itself overstocked. Then the process of working off inventories means a reduction in total demand even though demand from all other sources continues to expand at the normal trend of growth. The reduced *total* demand will create the usual recession spiral of reduced production, employment, and incomes; a spiral which will be halted either by the resulting reduced demand for cash balances or the completion of inventory liquidation. When inventory liquidation is completed, if the recession has not been serious, business would presumably resume its trend of inventory building thus again adding to total demand, and the spiral of recovery could be expected to re-establish something like full employment. Here it is not cybernetic mechanism, such as price adjustment which reestablishes full employment, but the fact that the initial source of the decline in demand was in time self-reversing. There is a good deal of evidence that the recession of 1949 was largely of this sort.

There is another type of recession which may bear the seeds of its own recovery, but may also create a downward spiral which is not self-correcting. This is a recession due to a wave of general uncertainty such as can be generated by an outstanding business failure, or a stock market collapse, or by the start of a war abroad. Here a lack of confidence can lead to a postponement of investment and to inventory contractions on the part of business and postponement of purchases, particularly of durable goods by consumers. If no further alarming developments occur, and the recession is mild, confidence may return and reestablish the necessary level of total demand. But such a recession may engender even greater lack of confidence and produce other demand-reducing effects such as a contraction in the money supply and so the recession feeds on itself. This is what I think happened in the 1929 to 1932 depression.

On the other hand, a recession may be caused by actions which carry no element of self-recovery.

Continued on page 23

*An address by Mr. Means before National Industrial Conference Board, New York City.

Misconceptions About Price Behavior, Administered Pricing

By JULES BACKMAN*
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School of Commerce, Accounts and Finance
New York University, New York City

Dr. Backman's study of overall prices and administered pricing, and emphasis paid to steel, reveals conclusions at variance with popular belief regarding their respective behavior. The six moderate recessions in past 35 years, the economist explains, contained four that were characterized by unchanged or rising prices and two with moderate price declines—in one of which the index rose the first seven months before declining. Turning to present price pattern, he finds it has been similar to that of 1953-54, and notes upward rise predominates food and services. Professor Backman defines an administered price as one established by executive action in which the firm offers to meet all demands at that price, does not have unlimited price setting freedom nor occur primarily in concentrated industries. Concludes: price cuts do not always stimulate demand; there is a lack of relationship between price and production during recessions; and administered prices are neither new nor unique in our economy.

The Kefauver hearings last summer focused public attention on the nature of steel pricing. Mr. Kefauver "discovered" much to his surprise that steel prices were administered. In terms of novelty, this discovery ranks with that of Moliere's gentleman who discovered he was talking prose all his life. After uncovering the obvious, Mr. Kefauver found that price administration for steel and other industrial products was a major cause of the price inflation which concerned many persons at about that time. However, before the Kefauver Committee wrote its report, the economic climate changed markedly. Recession, rather than inflation, became Public Problem No. One. Mr. Kefauver then became concerned with how it was possible for steel prices to remain unchanged in the face of falling output and demand. In light of this background, it is useful to review the nature of price administration and steel price behavior in periods of recession.

Jules Backman

Defines Administered Pricing

When a price is established by executive action and the company offers to meet all demands (within its capacity to do so) at that price, the price is administered. This is so whether the company sets the price for one week or for one year. In the broadest sense, prices include wages which also are administered. However, today I will be concerned only with administered prices of products and services and not with administered wages.

The term "administered price" is useful primarily to describe the *method* by which a price is determined. Unfortunately, some writers and politicians have used the term as a condemnation of industrial pricing. It is important, therefore, to understand what administered prices are *not*.

The term does *not* involve a judgment that either the process or the price charged is wrong.

The term does *not* indicate whether prices are fair or unfair, whether price behavior is good or bad, or whether prices are too high or too low.

Administered prices are *not* monopoly prices.

They are *not* prices set only by big business.

They are *not* identical with inflexible prices.

Administered prices are typical throughout our economy. Competitive market pricing as postulated in economic theory is applicable in an extremely small proportion of the economy. Approximately nine-tenths of the wholesale price index is in the administered price category. This means that with minor exceptions all buyers of administered steel prices sell their own finished products at administered prices. All retail prices are administered.

Instead of the interplay of large numbers of buyers and sellers determining the price as in an auction market, an administrator or executive or a group of officials determine the price. But the administrator does not determine this price in a vacuum. He cannot set the price at any level he may capriciously determine. On the contrary, the penalty for errors in judgment will be a loss of sales and of profits.

In setting the price, the administrator must consider a host of factors including demand, costs, capital investment, prices of substitute products, nature of the product, government controls, competitors' reactions, and political pressures. The local grocer soon finds out that when he sets prices too high he loses business to the chain store and the supermarket. The coal industry has found that higher prices cause it to lose volume to fuel oil and natural gas. The steel industry finds that higher prices may mean a loss of volume to substitute materials if their prices are not also raised. The railroad must be concerned about the trucker and the airplane. Natural rubber loses markets to synthetic rubber when prices are set too high.

No Unlimited Freedom

The price administrator cannot and need not duplicate exactly the process performed by the market place. But he does not have unlimited freedom in his pricing as some persons have insisted. He is narrowly circumscribed in his freedom of action by the broad forces of supply and demand affecting his products. Moreover, there is no choice as between administered prices and market prices for the overwhelming majority of products. The prerequisites for perfect competition and market price determination just are not present in our economy. These prerequisites include large numbers of buyers and sellers, sale of identical goods by different producers, ease of entry into and exit from the industry, perfect knowledge by buyers, and that standby of economists, "all other things being equal."

Most industries do not have such a large number of buyers *and* sellers that a market price could be determined. To an economist the term "large number" means so many buyers and sellers that no one can influence the price. Suppose, for example, that it were possible to "pulverize" the steel industry into the required large number of sellers (of course, technological requirements make this impossible), would or could the railroads similarly be reduced in size so that the market for steel rails both for buyers and sellers could approximate the theoretical requirements of a market price economy? Or could the automobile industry be so splintered as to meet the requirement of large numbers of buyers of steel sheets? To state these suppositions is to show how unrealistic they are.

How will the additional requirement of homogeneous products (which is met in the steel industry) be satisfied for furniture, automobiles, women's clothes, canned peaches, toothpaste and the host of other products which are predominant in the American way of life? And the problem is further complicated when the various services in the form of credit, research, and other forms of nonprice competition are considered.

The apparel industry can qualify for another prerequisite of perfect competition, namely, ease of entry into and exit from an industry. But how could this condition be met in steel, aluminum, and automobiles, where a huge capital investment is required to enter the business and large past sunk capital investment restricts the ease of exit. Modern technology requires such enormous amounts of capital in many industries that there is an effective barrier to the freedom of new firms to enter an industry—or to leave it.

Concentration Not Significant Requisite

Concentration of output in a few companies is not the primary factor determining whether a price will be administered or whether its price will change significantly over the business cycle. Many products for which production is highly concentrated often fluctuate a great deal in price, while other products with many producers often record only small price changes. In fact, there is little relationship between the behavior of administered prices and concentration.

We find many small items in a drug store, hardware store or stationery store for which prices may not change over a period of months and sometimes for years. These would be and are the most rigid and inflexible administered prices. Yet the prices are determined by small retailers and often for products which are produced by small firms in industries in which there is little concentration of output.

It is clear that administered prices cannot be eliminated from the economy. Any attempt to create in real life the theoretical world of economists, namely, one in which large numbers of sellers are competing in an idealized auction market, would destroy the industrial machine which has made America great. Such action would lead to a significant decline in our standard of living. Clearly, it is an impossible alternative.

In connection with the various criticisms made of administered pricing, several points must be kept in mind in order to maintain some perspective concerning the significance of such pricing:

(1) Administered prices have always been the major type of pricing in our economy.

(2) Nevertheless, despite periodic interruptions to the long-term trend, our economy has experienced a rate of growth and a rising standard of living which is the envy of the world.

(3) The interruptions to this growth, namely, recessions and depressions, have usually been of brief duration. The major depressions have usually followed major wars and have been the direct result of the dislocations accompanying those wars (for example, the 1870's and 1930's).

(4) Most recessions have been small in depth and in duration. It is not true that small declines have been converted into deep depressions because of the alleged inflexibility of administered prices. The most recent illustrations are found in the modest recessions of 1948-49 and 1953-54.

(5) Students of the business cycle usually attribute our periodic recessions to a wide variety of causes including excessive expansion of credit, excessive inventory accumulation, the relationship between savings and investment, underconsumption, wars, and other factors. Administered pricing is not given much significance in lists of casual forces of the business cycle.

Steel Prices and Production

With this background of the nature and role of administered prices, it is instructive to review the past behavior of steel prices and the accompanying changes in output during periods of recession or depression. For this purpose, I have analyzed the changes which occurred in the several recessions in the past 35 years. This study reveals little relationship between the magnitude of changes in the indexes of composite steel prices and in total steel production. This past experience may be summarized briefly as follows. In each instance, the maximum swing in output is compared with the maximum change in price, although the two series may have made their peaks or lows in different months.

During the 1923-24 recession, steel output fell by 55.4% while the maximum drop for finished steel prices was 11.6%.

In the 1926-27 recession, production fell by 31% while finished steel prices declined 7.2%.

In the post-1929 depression, steel production fell 84.7% while steel prices fell 18.8%.

In the 1937-38 decline, production fell 68.3% while prices fell 7.6%.

In the 1948-49 recession, steel production declined 27.7% while prices *rose* 2.9%.

In the 1953-1954 recession, pro-

Continued on page 22

*An address by Dr. Backman before National Association of Purchasing Agents, Chicago, Ill.

The Food Supply of America

By NATHAN CUMMINGS*
Chairman of the Board, Consolidated Foods Corporation

Prior to detailing our expanding population's food requirements and summarizing natural resources and latest technology available to meet these demands, Consolidated Food head rebukes those who unfairly indulge in abusing — and grossly misunderstand — American agriculture's past triumphs and future problems. Mr. Cummings concludes we have the necessary facilities to lift production 25% to meet our growing food needs providing we overcome our most serious obstacle, i.e., the growing water shortage problem. Offers high hopes for technological developments in farm yield, food processing and distribution, and looks to economical way to de-salt sea water.

How would **you** like it if **your** segment of the food industry were the target for a continuous torrent of abuse . . . public — private — and political?


Nathan Cummings

You would not!

Yet that's exactly what's been happening to to U. S. agriculture. Constant criticism is heaped upon it from every quarter. The man in the street thinks the lazy farmer wants something for nothing — a handout at the taxpayer's expense.

The clever politician uses the farm problem to further his own selfish aims — even if it means hurting the man supplying food for his table.

This is wrong! Terribly wrong! It shows a gross misunderstanding of U. S. agriculture — its past triumphs—and future problems.

For example, do today's critics realize that U. S. agriculture has been—and is still—going through a tremendous revolutionary process?

Do today's critics realize that in spite of this internal conflict, U. S. agriculture **doubled** its net production during the first 50 years of this century—thus meeting the demands of a nearly doubled U. S. population?

Further, do today's critics realize that U. S. agriculture accomplished this spectacular feat on less harvested acreage during the last 30 years . . . and with almost one-third fewer farm laborers over the past 50 years?

These are truly magnificent achievements — achievements which have provided our people with sufficient food during two world-wide conflicts and a major depression. U. S. agriculture may well be proud of these accomplishments—for they represent one of the most glorious pages in its history.

But—time marches on. Agriculture can't afford to rest on its past laurels. It must focus on the future—a future which presents challenging new demands for increased food production.

Increasing Population and Food Expenditures Require More Food

Basis for this need for more food is this country's rapidly expanding population . . . a trend which has gained considerable momentum since 1940.

Indicative of what lies ahead is the fact that our nation's population jumped 19 million from 1940 to 1950 . . . and another 13 million in the 5-year period from 1950 to 1955.

According to one projection by the Bureau of the Census, our total population in 1975 will range between 206 and 229 million persons. By the year 2,000, predictions are that we will have approximately 300 million people.

In addition to increased population another factor is at work . . . contributing to the need for more food. This factor is consumer spending.

During recent years our people have been devoting an ever larger share of their income to food purchases. If this trend continues . . . and there is every indication that it will . . . we will experience still greater demands for expanded food production.

How Much More Food Will Be Required?

This brings to the fore a highly important question: How much additional food must U. S. agriculture produce to meet the demands of our expanding population and its increasing expenditures for food?

The answer to this question is found in one of the more recent estimates published by the U.S.D.A. Based primarily on 1956's record production, this forecast states that in 1975 we will need a 25% increase in total output.

When this figure is broken down it reflects large increases needed in some categories and little or no added production required in others.

For example, the U.S.D.A. feels that in 1975 our requirements for eggs, poultry and meat animals may be up 35%. On the other hand, we will probably need only 20% more milk and a 20% increase in crops.

Here again, needed increases in crops will vary, with substantial gains necessary for feed grains to supply food for more livestock. Conversely, only moderate rises are required for many food grains, and in certain categories, decreases may be in order.

Can We Meet These Requirements?

The foregoing figures give us a fairly complete picture of our production goals in 1975.

But they do more than that—they also trigger another important question: Can we reach these goals?

Authorities on this subject agree that we can. However, they are divided in their opinions as to how difficult the task will be.

One school of thought is that our objectives are no problem at all—that they can be achieved with ease.

A second group appears to be more pessimistic—feeling that considerable effort will have to be expended to boost production.

However, the important thing is that the experts **do** agree—that U. S. agriculture **can** increase its productivity sufficiently to meet future demands.

How Will We Meet Requirements?

The one remaining question is: How will agriculture meet these demands? In order to answer this question it is necessary to examine the natural resources and technology available and how they are being utilized for the job ahead.

Natural Resources

In the process of inventorying our natural resources, one potentially dangerous threat emerges. That is the strong possibility of a shortage of water . . . a possibility which became a reality for 1,000 communities last year.

At present, this country uses more than 260 billion gallons of fresh water daily. Industry uses nearly half of this total, and estimates that its needs will double within the next 10 to 15 years.

Thus it becomes apparent that prompt action is urgently needed to increase our water supply—a water supply which is vital to the irrigation of crops in many sections of the country.

There are several ways in which we can build up our water supply. One is through constructing more reservoirs to catch flood water.

Another possibility, recently tested, is the use of fatty alcohol films on the surface of the water, a method which reduced evaporation from 20 to 40%.

Unfortunately, measures like these won't prove sufficient. Ultimately, we will be forced to tap the oceans.

With this end in mind, the Office of Saline Water of the Department of the Interior has been attempting to find an economical means of desalting sea water.

Present efforts center around two government-subsidized tests on methods concentrated on Harbor Island, located off the coast of North Carolina.

One of these tests is being conducted under a $200,000 grant to find the most satisfactory operating conditions for standard manufactured equipment.

The other experiment, subsidized by a $75,000 grant, is designed to test a method of spreading seawater out by centrifugal force, over a heated area.

The objective of both experiments is to produce fresh water at a cost of 25 to 50 cents per thousand gallons.

However, even if these ventures prove successful, the cost of conversion is still too high, since the average U. S. home pays from 10 to 20 cents for a thousand gallons.

By the same token, large users of irrigation water generally pay from one-half to two cents, and industry, five cents per thousand gallons.

From these figures it is apparent that efforts must continue to be exerted to bring down the cost of conversion.

Once this cost is lowered, it is quite possible that sometime in the future we will use atomic or solar power to pump desalted water through pipelines to sections of the country needing water.

A welcome contrast to the water situation is found in studying our land resources.

Here, the supply seems ample for many years to come.

At present, we have approximately 200 million acres of land now devoted to grassland or woodland, all of which could be cultivated.

In addition, many millions of acres of marshland or land subject to flooding could be reclaimed.

Out of this vast reserve, current estimates indicate that we will need only about 25 million additional acres to meet our 1975 food requirements, if present acreage yields are maintained.

Technological Advances

Now why only 25 million acres? The answer lies in the fact that U. S. agriculture has been making tremendous strides in the development and application of improved technology.

Because of this technological progress, agriculturalists feel that five-sixths of 1975's increased requirements will be obtained from greater yields and better efficiency.

How can technology produce greater yields and better efficiency?

Actually, it can accomplish this task in a number of ways.

A striking example is found in the growing trend towards larger but fewer farms. With larger farms, economic application of automation and mechanization is possible. Through these processes, farms are gradually becoming industrialized.

And with this growing industrialization, fewer and fewer farmers are required, which accounts for the fact that our farm population is continually declining. Over four and one-half million farmers have left the land since the 1950 census, and more are leaving all the time.

On some farms, this industrialization process is carried out to the point where machines plow, seed, weed, fertilize, and harvest crops. Some machines milk cows, while others feed animals, and still others sort and grade fruits electronically.

Evidence of this greatly increased use of farm machinery is found in the fact that between 1940 and 1955, the numbers of trucks and tractors used on farms tripled.

During this same period, the amount of milking machines, combines, and corn pickers increased from four- to six-fold.

In addition to this standard farm equipment, many modern industrialized farms own their own airplanes, used to spray or dust crops from the air.

Other mechanical equipment includes power-driven machinery to prune trees and to help harvest their crops, plus many other devices to make the job of farming faster, easier, more efficient, and more productive.

Looking towards the farm of the future, some agricultural engineers visualize mechanical robots doing the work in the fields, push-button controlled by a single supervisor, possibly from a helicopter.

In addition to furthering the development of industrialized farms, agricultural technology is prominent in many other activities designed to boost production to meet our future food needs.

Use of Chemistry

One of these fields is the increasing use of chemistry to solve problems facing agriculture.

Through chemistry, agriculture is aided in the production and use of fertilizers, helped on animal nutrition, the eradication of weeds and the control of pests and diseases.

In addition, chemistry is providing more knowledge of the soil and its relations with the plant.

Some idea of how U. S. agriculture is increasingly utilizing chemistry's contributions to produce more food is obtained in the following figures on the use of fertilizers.

For instance, at present this country is using a little more than six million tons annually of the primary plant nutrients, nitrogen, phosphoric acid, and potash.

By 1975, annual consumption is expected to reach from ten to twelve million tons.

This represents a further continuation of the trend towards greater use of fertilizers, since even today's usage is four times the 1935-1939 average.

With the increasing knowledge and assistance provided by chemistry, agriculture stands on the threshold of a vast multitude of nature's secrets . . . secrets which hold the key to man's increasing needs for food.

For example, several years ago, scientists were successful in making sugar from carbon dioxide without the aid of green tissue —thus unlocking the mystery of photosynthesis.

And only recently, gibberellic acid came into the spotlight, hailed as the forerunner of a host of chemicals which will speed up or slow down plant growth.

Eventually, chemists may be able to make agriculture completely independent of climate and adjust it to man's needs. Once that day arrives, man may well have his food requirements solved for all time.

Role of Technology

In recent years, technology has played an ever more important role in the development and improvement of poultry and livestock.

Through the selective breeding of livestock, better feeding practices, and use of chemicals, major gains have been made in the amount of livestock products obtained per unit of breeding stock.

It is evident that technology's ultimate goal is to make livestock production a manufacturing operation, geared to convert feedstuffs into food in the most efficient manner possible.

A step in this direction is indicated by a project now being planned at the University of Minnesota. Once the project is in operation, it will provide farmers with a forage testing laboratory.

All a farmer need do is send in samples and in turn he will receive recommendations on how to supplement a specific lot of hay or silage. By following the laboratory's directions, the farmer will be able to correct forage deficiencies and obtain better feeding results.

Another effort at increasing livestock productivity, still in the experimental stage, is a new feed additive.

Purpose of the new additive is to give calves such a head start that heifers will reach breeding maturity from three to four months earlier than usual.

Along this same line, scientists are hoping to discover hormones which will synchronize the heat period of livestock. This would make practical the artificial breeding of beef cows and hogs.

A third technological innovation, recently inaugurated, is a new method of increasing egg production.

Results of this system, which employs increasing amounts of light each week the chickens are laying, indicate that in 12 months chickens will lay about $2\frac{1}{2}$ dozen more eggs . . . on less feed.

Through activities such as the foregoing, agricultural technology is continually striving to meet this country's added requirements for more livestock and poultry—requirements which dictate a 35% increase by 1975.

Technology is active in still another field—that of endeavoring to discover new farm crops suitable for cultivation in this country.

Actually, this search began back in 1819. Since that time, more than 250,000 collections of seeds and vegetative plant stocks have been brought into this country for screening.

During recent years, approximately 7,000 plants have been screened annually. Of this number, over 95% have been breeding stocks, screened as possible sources for improving our existing crops.

However, since its establishment in 1819, this program has given us a number of new crops, including such commodities as navel oranges, avocados, durum wheat, and dates.

Since the end of World War II, agricultural technology has been employing a new weapon in its fight to produce more and better food.

Atomic Energy

That weapon is atomic energy.

Since 1949, the effects of nuclear radiation on an extensive collection of trees, shrubs, flowers, grasses, vines, and vegetables has been studied at Brookhaven Na-

Continued on page 24

*An address by Mr. Cummings before the Research and Development Associates Food and Container Institute, Chicago, Ill.

Income, Expense and Net Profits In Consumer Credit Financing

By MANFRED I. BEHRENS, JR.*
Management Consultant, New York City

Mr. Behrens recapitulates findings of studies made showing that merchants, unlike banks and consumer finance companies, lose money in their instalment credit operations. Cautioning against state regulation to restrict or limit retail credit based on insufficient cost information, the author—without going into the philosophy of price regulation — calls upon merchants to obtain and make available facts to authorities concerned.

Almost no merchants make a profit on instalment financing in itself, if such high unit sellers as automobile dealers are excepted. In this respect they are quite different from banks and consumer finance companies, but there are many reasons for their experience. To examine some of them: In 1955, according to published figures, the average loan balance at consumer finance companies was $263 and in the personal loan departments of banks it was $480; no doubt these figures would be higher today. A confidential survey of a substantial group of department and furniture stores in late 1956 showed an average balance of only $90. An as-yet-uncompleted survey of the largest ready-to-wear chains in the country will show average indebtedness at $25 or less. It hardly needs elucidation that many of the costs of handling instalment receivables are decidedly sticky, remain almost constant regardless of the size of the debt, so that percentagewise they prove considerably larger on small accounts. One thinks quickly of bookkeeping, credit and collection payroll, stationery and supplies, rent and so on.

Consumer finance companies, in general, have been able to obtain much higher rates than banks—and need them. They, like the merchants who must give great weight to the good will factor, take on many risks which would be entirely unacceptable to banks. However, merchants must also be extremely chary of stringent collection methods. Yet their rates of charge are largely governed by competition.

Merchants generally remit all service charges if the customer pays the entire balance in 30 (or sometimes even in ninety) days. They must meet the competition of the traditional charge account for which, traditionally, no charge at all has been made. Also they do not usually assess a late or delinquency charge, unless the account is very bad indeed. This policy again reflects the need to maintain customer good will. But the gap between promise and performance may average as much as a fifth to a third. Not only consumer acceptance, but plain economics, plays a dominant part here; if balances are small, so are payments. There is a limit to what can reasonably be expended to bring in two or three or four dollars. Then, too, there is a psychological factor. The consumer seems to feel a greater moral obligation to repay borrowed cash than to pay for merchandise.

Finally, just as it is relatively more expensive to collect a small balance than a large one, just as it costs more relatively to deal with low-unit transactions, so the length of time-extension plays a significant role. The trade habit is to make a charge for credit proportionate to the time, yet the cost of handling a 12-month transaction is certainly not double that of a six. The important point here is that many retail accounts are scheduled to pay out in less than a year, a large number in five or six months.

*An address by Mr. Behrens before National Consumers Credit Conference, Ohio State University.

A Curious Anomaly

So, in the direct relationship of service charge income to appurtenant costs, nearly all merchants lose money. However, before we go to the figures which demonstrate this, it seems requisite to discuss what may appear to be a curious anomaly. There are many services which many merchants give "free" of charge, such as delivery, a liberal return and exchange privilege, and so on. Why? Presumably because by so doing they hope to increase volume, and particularly the extra profit obtainable from plus volume, volume beyond the break-even point; this will, they trust, more than offset the extra expense involved. True, unlike the services first cited, credit extension usually has carried a charge separate from the price of the goods; but why must it be sufficient to cover all appropriate expenses? While it is not within our scope here to undertake a fully exhaustive answer to these questions, it is evident that the implied theory was always dubious, if not downright fallacious. Guesswork is no longer necessary, in view of the recent performance of the discount houses. The percentage net profit margin of most retailers has historically been small; still, the discounters have consistently found themselves able to sell at lower prices than their competitors following more stereotyped methods, simply by eliminating services of one sort or another.

In 1948, and again in 1956, a substantial group of department and furniture stores in New York City made, with the supervision of highly competent auditors, exhaustive studies of the relation between expense and income in their instalment credit operations. Every single store and chain in both surveys showed a loss, despite the fact that charges had been increased during the period between the two studies. As indicated above, the ready-to-wear chains have asked a prominent accountant to review their joint experience; unfortunately, this investigation has not been completed as yet. However, it can be stated now that these chains struggle to break even on the credit scene, and most do not, in spite of charges sometimes higher than those customarily made by consumer finance companies, let alone department stores or banks; charges which may run 12 or 13% and more of the net original time balance for a time-extension of six months or less.

Recapitulates Salient Findings

Without attempting to reproduce every detail, here are some of the most salient findings of the 1956 survey mentioned above, which may be taken as typical of the entire picture. The total sales volume covered was over $710 million, including cash and credit; it took more than 108 million separate sales transactions to do this business, with an average sales check of $6.57. The range of sales checks was from a minimum average of $4.58 to a maximum average of $104.92. The instalment sales volume was above $119 million, the year-end accounts receivable was almost $82 million, the number of active accounts at the end of the year was more than 900,000 and the average balance was about $90, with a range from $55 to $144. There was an average of about 16 transactions per account during the year, and the range was from 4 to 26.

These statistics should be sufficient to show the scope of the sample used. Although apparently no tests for significance were applied, its absolute size would appear to indicate strongly that its conclusions are entirely valid, certainly for New York and probably for the rest of the country as well; there are geographical differences in costs, of course, but it is hardly likely they would be of a magnitude sufficient to reverse the trend shown. However, it must be pointed out again that relative expenses, and therefore necessary income to cover, would be considerably higher in specialty stores with a lower average balance per customer. This study is heavily weighted by the high unit sale in furniture stores. Even within the study group, wide variations will be observed.

Shows Average Operating Loss

The average income from credit service charges and recoveries of bad debts was 7.38% of sales; the range was from a minimum of 4.20% to a maximum of 11.96%. The average expense for credit and collection salaries was 2.00%; the range was from 1.15 to 5.30%. Credit and collection department costs averaged 5.24% and ranged from 3.60 to 10.90%. Bad debt losses averaged 1.91% and had a range from 0.94 to 3.80%. Total direct expense averaged 9.15% and ranged from 6.80 to 17.78%. Thus the average operating loss was 1.77%. Operating loss figures for minima and maxima will not balance out, since the individual statistics come from different stores, but the range was from 0.26 to 6.50%. The actual rate of charge at the time of the study ranged from 7.2 to about 13% per annum on the initial unpaid balance. Bear in mind that, as in the previous survey, not a single store showed a profit when a correct accounting was made.

Now there is a common misapprehension that stores do make a profit on the instalment operation, and it is appropriate to inquire into the reasons for this impression. First, it must be recognized that all people tend to do certain things for their own convenience, even if the results are not strictly scientific. Economists and accountants, despite occasionally expressed doubts, are people. For example, in the field which is the subject of this conference, we commonly speak of "consumer" credit as applied to the purchase of "consumer" goods, as if they were literally "consumed" at the moment of purchase; yet the bulk of these goods is not consumed at that time at all, but remains, often for years, in the "consumer's" pile of stored-up satisfactions. Similarly, accountants have often found it convenient to include most credit and collection expense in other categories, such as bookkeeping payroll. Sometimes the service charge revenue is shown on the profit and loss statement entirely separately, as "other income," so that it appears to be all profit. In any event, the true relationship between costs and income has rarely been clearly indicated and so hardly ever realized until more revealing figures are forced out by circumstance.

Second, these truer figures are not too easy to come by in the usual retail accounting system. It will be valuable now to take a look at the classifications which careful review has found it requisite to include in direct instalment credit expense. This is the schedule used for the 1956 survey: (Note that bad debt losses were added later as a separate figure.)

(1) **Salaries** of Investigators, Collectors, Tracers, Special Men, Office Help, including Legal Clerks, Cashiers, and Inside Skip Tracers, and any others devoting their time to the affairs of the Credit and Collection Departments, including proper allocation of bookkeeping payroll.

(2) **Legal Expenses** consisting of attorneys' retainers and fees and expenses in securing collections or repossessions of merchandise, including summons and filing fees, Marshalls' and Sheriffs' fees.

(3) **Collectors and/or Special Men's Car Allowances.** This is to include all car allowances made to any Collection Department employees.

(4) **Public Liability and Property Damage Insurance.** Premiums on cars used by employees mentioned under (3).

(5) **Charges** paid to credit bureaus and other outside agencies.

(6) **Interest** on outstanding accounts receivable at 5% per annum rate.

(7) **Premiums** on Bonds of all kinds.

(8) **Postage** on all matter mailed by Credit or Collection Departments.

(9) **Telegrams and Telephone** for credit or collection department purposes.

(10) **Stationary and Supplies** for credit and collection department.

(11) **Rentals of Telephone Directories used by Skip Tracing Department.**

(12) **Insurance on Accounts Receivable.**

(13) **Storage Warehouse Bills paid on repossessed merchandise,** and the costs of recovery.

(14) **Rental of Special Equipment** such as Recordak, I.B.M., Addressograph, etc., used for Collection Department records or follow up, or depreciation.

(15) **Taxes and Welfare on Credit and Collection Salaries**—Social Security; Disability; Unemployment Insurance; Welfare Benefits; Compensation.

(16) **Rent for Space occupied by Bookkeeping—Credit & Collection Department.** Value this space in relation of space used to the total space occupied.

Today this material has far more than a purely academic use. We shall not dwell here on the fact that perhaps traditional merchants ought to know the actual net costs of the services they provide, faced as they are with competition which eliminates many of them. At least credit is a service which a great many customers incontrovertibly prove they continue to want.

Acting on Accurate Information

But, more importantly, throughout the country retail credit is confronted with proposals for state legislation designed to restrict it in many ways. Most urgent for our instant purpose is the regulation, or, more accurately, the limitation of credit service charges. Our friends in the consumer finance field are, of course, inured to legislation. The rates they are allowed may not be what they would wish but, judging by recent financial statements, at least they make a profit; so do the banks. Merchants, on the contrary, are losing money now in the credit operation and are threatened in many areas with restrictions on rates which will throw them still further into the red. No segment of society can be served by such a process, least of all the consumer. Once the merchant realizes his alternatives, will he continue to throw good money after bad? Or will he discontinue his credit service, which the consumer needs; or raise his cash prices to all, including those who pay cash, in order to close the gap between income and expense?

Therefore, the dissemination of accurate information about the costs of extending instalment credit in retail stores would be a genuine public service at this time. The philosophy of price regulation *per se* is a controversial suoject, and not within the purview of this discussion. Nevertheless, it is surely not open to question that, if there is to be regulation, it ought to be based on fact and not surmise. Merchants have, it is firmly believed, an obligation to make such facts available to the public authorities concerned.

Two New V.-Ps. for Walston & Co. Inc.

On July 1 Frank B. Haderer, Ben H. Pulliam, Jr. and Reginald L. Wakefield will become vice-presidents of Walston & Co., Inc., 74 Wall Street, New York City, members of the New York and Pacific Coast Stock Exchanges. Mr. Wakefield will make his headquarters in the firm's Los Angeles office, 550 South Spring Street.

Joins R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Alfred Rolstad has been added to the staff of R. J. Steichen & Co., Baker Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

After scoring the largest gain in two months to chalk up a new high for the 1958 "rally," the market has this week first run into "hesitation" and then definite, though moderate and volume-light decline. From its rally-peak of 469.60 at which it closed last week, the Dow Jones Industrial Average has sloughed off to 467.93 at Wednesday's finish.

In the face of the persistent "bad news" — economic, industrial, and financial — market participants are emphasizing the bullish impact of the liberal supply of investible funds; the increasing support from the mutuals, both existing and newly forming; persistent "inflation" psychology; along with some brighter spots on the business and international scenes. The optimistic atmosphere sufficed to counterbalance the skepticism concerning the steel industry's pick-up based on the fear that it is constituted by hedge buying in anticipation of the price rise to become effective July first.

The rails, with C. & O. in the forefront, acted somewhat better, apparently stimulated by growing expectation of legislative relief. Emerging through this week's declines, the liquors were outstandingly strong, with some of the issues, as Schenley and Walker, hitting new highs for the year. Highly helpful were the active consideration by the Senate Finance Committee of the Forand Bill, already passed by the House, which would permit distillers to warehouse whisky without tax for 20 years (in lieu of the present 8-year limit); and estimates of higher current earnings.

Coppers were outstanding in their market strength late Tuesday and Wednesday, on the news that the Government will buy 150,000 tons of the red metal at prices up to 27½ cents.

* * *

Considerable stress is persisting pro the international oils, as well as all petroleum units marketing substantial proportions of their crude and products in foreign countries. As offsets to jitters recurrently ensuing from recurrent Middle East disturbances, bulls point to the trebling of the cost of developing new domestic reserves since World War Two, and the differential from the lower finding costs abroad; the steadily increasing domestic demand, with overseas consumption rising twice as fast; and the inadequate development of domestic reserves. Highly favored issues with diversified world interests include British Petroleum, Gulf, Royal Dutch, Shell, Socony, Standard of California, Jersey and Texas.

Particularly highly concentrated in the Middle East is British Petroleum, which, incidentally, is expected to turn in increased earnings this year. Striking is its major participation in the consortium that is managing Iran's nationalized, but dynamic, petroleum industry. Its convertible bond issue is held to offer an interesting speculative entree to this situation.

Among our domestic entities, Gulf affords the largest participation in the Middle East, albeit Standard of New Jersey undoubtedly continues its reign as the prime favorite for the community of both spectators and investors.

Drugs to the Fore

Popular with the run of institutional buyers, reflected in favorable market action are the ethical drug shares—with several issues showing net gains in the face of the decline in the market averages over the past year. Merck, despite its high price earnings ratio of 20 related to estimated 1958 profits, is high on the list of the fund managers' favorites, as revealed in their portfolio operations. Other well-like companies in this field include Parke, Davis at 12½ times 1958 earnings, Pfizer, Smith, Kline & French and Eli Lilly

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Perking up a bit marketwise, but still selling substantially below their mean prices of the last several years, are the air transport companies. In the face of the recognized but still serious adverse factors, the optimists here point to signs of improvement of the competitive situation, the increase in fares as a start in the right direction, the traffic growth expected from the introduction of jet aircraft and favorable aspects of the first quarter earnings. Favored issues include American, United, Eastern, Northwest, Delta and Capital.

A Surviving Blue Chip

"The Blue Chips:—permanently debunked — or now ready to go again?" Whatever the answer to this, one of the market's current $64-questions, General Electric is still a favorite, and, incidentally, far out-performing Westinghouse marketwise. GE's Street friends are pointing to the assured further growth in the use of electricity, confirmed by the utility companies' announcement of their plans to add twice as much generating capacity in 1958 as in 1957; to the company's remarkably broad diversification; to its vital participation in the atomic and electronic areas of the defense program; its pre-1958 steady growth in earnings; and financial strength. While first quarter earnings sloughed off to 53 cents from 73 cents in 1957, resumption of their upward trend, irrespective of the timing, is almost universally regarded as the surest of sure bets.

Insurance Stock Deal Creates Interest

Naturally interpreted as having broad investment implications is the news that Murchison interests have bought 1,200,000 shares of Life and Casualty of Tennessee at $34 a share compared with its recent market price of 21. The conclusion is suggested that the shares of many other un-mutualized companies in the industry are available over-the-counter at prices substantially below their real "going business" value.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Maitland Ijams to Be Partner in Langley

On July 1 Maitland T. Ijams will become a partner in W. C.

Maitland Ijams

Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Ijams is in the firm's syndicate department.

W. R. Tucker, Jr. With Parker, Ford Co.

DALLAS, Texas — W. Roy Tucker, Jr. has joined the Investment Banking firm of Parker, Ford & Co., Inc. as a Vice-President, it has been anounced.

In addition to handling regular corporate securities, Mr. Tucker will supervise all of the municipal and corporate bond transactions executed by the firm.

Mr. Tucker has been active in the Investment Banking business in Dallas for the past 10 years, recently with Dittmar & Company, Inc.

Parker, Ford & Co., Inc. organized in 1955 has offices in Fort Worth and Brownsville with the home office in the Fidelity Union Life Building, Dallas.

Joins Shearson, Hammill

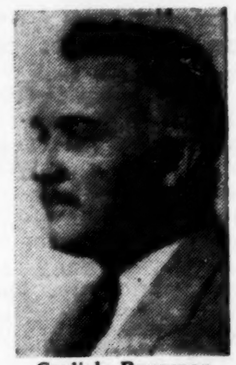
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Wendell N. Gustafson has become affiliated with Shearson, Hammill & Co., 75 Federal Street. He was formerly with Schirmer, Atherton & Co. and F. S. Moseley & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

One of the most serious effects of Senator Knowland's experience in the California primary will be to send shivers up and down Republican political spines. Because of the Senator's advocacy of a right-to-work law, a fact that unquestionably hurt him in the primaries, the tendency of Republican candidates will be to out-do their Democratic opponents in efforts to appease the labor leaders. It won't do them any good because labor leaders with few exceptions are ingrained Democrats. It will simply lessen what chances the Republicans had. Their chances lay in arousing the conservative voters which, in a show-down, I am convinced, outnumber the laborites, the radicals or the so-called liberals.



Carlisle Bargeron

Senator Knowland's failure to make a better showing is being largely attributed to his espousal of the right-to-work or anti-closed shop law. There are many other factors such as unemployment, dissension in Republican ranks and the Senator's remaining in Washington rather than taking time off to campaign in his state. But his pronounced views on the right to work law are given most publicity and this is what other Republican candidates are giving most attention to. It is mellowing them, to say the least. About the only exception is that hardy soul from Arizona, Senator Barry Goldwater. If his re-election depends upon kowtowing to labor bosses, his attitude is that he may as well be counted out.

There had been little or no prospect that any serious labor reforms would be enacted at this session of Congress, nothing to really correct the abuses revealed by the McClellan investigating committee. After the California primary there are no prospects at all.

Knowland's poor showing in the primary does not mean that he is to be counted out in the November elections in the slightest. His chances do look bad but he is a redoubtable fighter and his sheer stubbornness and determination may yet bring him through.

He deserves better treatment at the hands of his constituents. In him the Californians have one of the hardest workers, most respected and most honest men in the United States Senate. Even Eisenhower, whom he has opposed on several occasions, has great respect for him and has paid no heed to many suggestions that he should try to replace him as minority leader. In the first place, Eisenhower couldn't succeed and, secondly, he has implicit confidence in the Senator's integrity. There are no shenanigans with him. He is completely forthright and there is never any question as to where he stands.

For that matter the President has had reason to give a lot of thought recently to his efforts for "moderate Republicanism." Sometime ago he was talking to a group of Republican members of Congress. One asked him, in so many words:

"Mr. President, there are 145 members of Congress who owe their election to the AFL-CIO. If there were not some of us whom you consider to be ultra conservative, where would you get your moderation?"

The President was nonplussed for an answer.

Knowland is the leader of the ultra conservatives and if the country is not to be turned over to the AFL-CIO, men of his calibre should be retained in office. The late Senator Taft, trying to name a man of his own image, could not have done better than in his selection of Knowland. It was Knowland whom Taft, when he realized he did not have long to live, asked to step into his shoes as Republican Senate leader. Knowland does not have Taft's brilliancy but in every other respect he is the image of the Ohioan.

This means that like Taft he may thrive on adversity. For one thing, the primary results may bring the contentious factions together. Governor "Goodie" Knight has been smarting under the arrangement whereby he had to run for the Senate this time in order that Knowland could run for the governorship. He went through the primary taking frequent slaps at Knowland. But he made an even poorer showing than Knowland and the expectation is that he will be more inclined to pitch for the team from now on.

In 1950 organized labor set out to get the scalp of Senator Taft. As a result, support for the Senator poured into Ohio from throughout the country. Some such support would seem to be in order for Knowland now.

Goodbody & Co. Opens Ft. Worth Office

FT. WORTH, Texas—Goodbody & Co., members of the New York Stock Exchange and other principal securities and commodity exchanges, have opened a new office in the Fort Worth Club Building. The office, will be under the management of Arthur L. Roberts, a native of Fort Worth and well known in the local securities field for about 25 years.

Arthur Krensky Opens Own Office in Chicago

CHICAGO, Ill. — Arthur M. Krensky, member of the New York and Midwest Stock Exchanges, is continuing his investment business from offices at 141 West Jackson Boulevard. He was formerly president of Arthur M. Krensky & Co.

Eisele, Raynor & Redelfs, New Name

OMAHA, Neb. — Wm. J. Raynor, formerly of Walter V. Raynor & Co., Inc., has joined Eisele, Axtel & Redelfs, Inc., First National Bank Building, and the firm name has been changed to Eisele, Raynor & Redelfs, Inc.

George E. Gessler With Bankers Bond & Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George E. Gessler has become associated with Bankers Bond & Securities Co., 408 Olive Street. Mr. Gessler has been a partner in E. A. Gessler & Son since its formation.

Rejoins Leason Co.

CHICAGO, Ill. — Stanley J. Gardyas has rejoined Leason & Co., Inc., 39 South La Salle Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John E. Donaldson has been promoted from Assistant Treasurer to Assistant Vice-President of the **Chase Manhattan Bank, New York,** it was announced by George Champion, President. Mr. Donaldson is in the United States department, the Bank's national territorial organization.

At the same time it was announced that the following were appointed Assistant Treasurers of the Bank: Roy T. Abbott, Jr., James E. Gorman, William G. Gridley, Jr., Wayne G. Hansen, Robert J. McDonald, J. Howard McGloon, and Langdon Palmer. Robert J. O'Keefe was named electronic planning officer.

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With the upturn in demand for real estate financing, **The First National City Bank of New York** has strengthened its role in this field through the creation of two new executive positions.

Filling these positions are Daniel G. Amend, who has been promoted to Assistant Vice-President, and Daniel D. Dickey, Assistant Vice-President, who has been transferred to the Bank's Mortgage and Real Estate Loan Department from the Southern District.

Mr. Amend, as experienced attorney, will handle the documentation and legal coordination of mortgage loans. Mr. Dickey, who has worked closely with correspondent banks, will assist correspondents and other customers in the financing of real estate enterprises.

Both men will be associated with Harry A. Yoars, Vice-President in charge of the department.

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The appointment of Dwight G. Allen as an Assistant Vice-President of **Manufacturers Trust Company, New York** was announced by Horace C. Flanigan, Chairman of the Board.

Mr. Allen has been assigned to the Bank's Far Eastern Representative Office in Tokyo, Japan, since 1953 but is returning to New York this summer. Mr. Allen joined the Bank's International Banking Department in 1946.

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Joseph Singer, a Vice-President of the **Bankers Trust Co., New York,** died June 6 at the age of 57. Mr. Singer began his Banking career in 1926. He became a Vice-President of the **Public National Bank & Trust Co., N. Y.,** and joined Bankers Trust when the two banks merged in 1955.

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Irving Trust Company, New York announces the promotion of William M. Horner from Assistant Vice-President to Vice-President.

Mr. Horner is in the Domestic Banking Division and handles business in the mid-continental area of the United States. He joined the Irving early this year after many years of experience in the banking field.

Robert P. Hegeman, Andre F. Python and Augustus L. Putnam were named Assistant Secretaries in the International Banking Division.

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Charles W. Buek and Berkeley D. Johnson were elected Executive Vice-Presidents of the **United States Trust Co. of New York.**

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Benjamin S. Haggett has been elected a Vice-President of the **Colonial Trust Company, New York.** Mr. Haggett will be in charge of the Bank's branch at 149 Madison Avenue. He was formerly a Vice-President of the **Commercial State Bank and Trust Company.**

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Adam C. Vollmer, formerly Treasurer and Assistant Secretary, has been elected a Vice-President of the **Dry Dock Savings Bank, New York.** Robert Wylie, Assistant Treasurer, has been elected Treasurer and Assistant Secretary.

* * *

President Adam Schneider Jr. of the **Roosevelt Savings Bank, Brooklyn, N. Y.** announced the election of Mr. Walter A. Mohr to the Board of Trustees of the Bank. Mr. Mohr was Senior Vice-President of James Talcott, Inc., factors before his retirement Jan. 1.

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Security National Bank of Huntington, Huntington, New York, with common stock of $2,871,110; and **The Fort Neck National Bank of Seaford, Seaford, New York,** with common stock of $1,448,545, have merged, effective as of the close of business May 23. The consolidation was effected under the charter of Security National Bank of Huntington and under the title "**Security National Bank of Long Island.**"

Previous article appeared in the April 17 issue on page 1722.

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Directors of the **Nyack Bank and Trust Company, Nyack, N. Y.,** a subsidiary of **Marine Midland Corporation,** statewide Bank holding company, and the **State Bank of Pearl River, N. Y.,** have approved plans for a merger. The proposal must be approved by stockholders and the State Banking Department. The new institution would have resources of about $26,000,000.

* * *

William I. Tucker, President of the **Vermont - Peoples National Bank of Brattleboro, Vt.** and Paul H. Ballou, President of the **Vermont Savings Bank, Brattleboro,Vt.,** released a joint statement on June 9 that the Shareholders of the Vermont-Peoples National Bank of Brattleboro and the Corporators of the Vermont Savings Bank, at Special Meetings on June 9, adopted resolutions by the required two-thirds majority of the outstanding stock of the Vermont-Peoples National Bank of Brattleboro and the required two-thirds of the number of Corporators in office of the Vermont Savings Bank, to unify the two banks by the acquisition of assets and assumption of liabilities of the Vermont Savings Bank by the Vermont-Peoples National Bank of Brattleboro. Under this plan, the two banks will unify under the National Charter of the Vermont-Peoples National Bank of Brattleboro and the name will be changed to **Vermont National and Savings Bank, Brattleboro, Vt.**

The Shareholders of the Vermont-Peoples National Bank of Brattleboro authorized the reduction of the Par Value of the present 8,000 Shares of Common Stock from $25 to $10 by way of a 2½ split for 1 and a 50% Stock Dividend, which will increase the present 8,000 shares to 30,000 shares. The Shareholders also authorized the sale of 55,000 shares of additional Common Stock of $10 Par Value, to be sold at $20 a share and the sale of 16,000 shares of 5¼% Cumulative Preferred Stock of $50 Par Value, to be sold at $50 a share.

Under the Pre-emptive rights of the present Common Shareholders of the Vermont-Peoples National Bank of Brattleboro, the additional Common Stock and the Preferred Stock, will first be offered to the present Shareholders. Warrants have been sent out evidencing the rights to subscribe of the present Shareholders. The rights for Preferred Stock will expire on June 16, and the Common Stock rights will expire on June 23, 1958. Paine, Webber, Jackson & Curtis and Vermont Securities, Inc. will act as Dealer-Managers in marketing the new stock.

The present Directors of the Vermont-Peoples National Bank of Brattleboro will continue in office under the unification.

The following Trustees of the Vermont Savings Bank were elected by the Shareholders of the Vermont-Peoples National Bank of Brattleboro, to take office as Directors of the Vermont National and Savings Bank, Brattleboro, on or about July 1, 1958:

F. C. Adams, E. O. Allen, Paul H. Ballou, Merton F. Barber, John S. Burgess, Ernest W. Gibson, Howard W. Gould, Louis G. Graves, A. B. McClary, C. L. Park, Jr., C. W. Reed and F. H. Woodward.

The following will be continued as Honorary Directors:

Henry R. Brown, Leslie S. Edwards, Arthur L. Maynard and Horace G. Ripley.

After the Unification, it is planned that the Officers will be as follows:

Paul H. Ballou, Chairman of the Board; William I. Tucker, President & Trust Officer; Fred C. Adams, Vice-Chairman of the Board; William H. Richardson, First Vice-President; John H. Hepburn, Vice-President & Cashier; Albert F. Marshall, Vice-President & Secretary; H. T. Osborn, Vice-President & Mortgage Officer and Valentine C. Morehouse, Comptroller.

It is planned that all Branch Managers and personnel will continue in their present capacity.

Under the plan of Unification, the Vermont-Peoples National Bank of Brattleboro, Vermont's oldest commerical bank, incorporated in 1821, and the Vermont Savings Bank, Vermont's oldest Savings Bank, chartered in 1846, under the name of Vermont National and Savings Bank, Brattleboro, will have 11 offices in three Southern Vermont Counties. The Main Office will be the office now occupied by the Vermont-Peoples National Bank of Brattleboro and the present office of the Vermont Savings Bank will be continued as a branch.

The status of the two banks as of May 31, 1958, showed: Vermont-Peoples National Bank of Brattleboro—Assets—$11,754,000; Deposits—$10,323,000; Vermont Savings Bank—Assets—$31,534,000; Deposits — $27,506,000. The proposed merger was given in the June 5 "Chronicle," page 2516.

* * *

The Union Bank of Wildwood, N. J. and **Wildwood Trust Company, Wildwood, New Jersey,** merged under charter of The Union Bank of Wildwood, N. J. and new title of **Union Trust Company of Wildwood, N. J.** A branch was established in the former location of Wildwood Trust Company.

* * *

Stockholders of the **Plainfield Trust Co., Plainfield, N. J.,** the **State Trust Co., Plainfield, N. J.** and the **Plainfield National Bank, Plainfield, N. J.** approved the cnosolidation of the three institutions to he called the **Plainfield Trust State National Bank.** The merged bank will have total resources of $100,000,000 and is expected to start operation June 30.

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John A. Byerly, President of **Fidelity Trust Co., Pittsburgh, Pa.,** and H. R. Hosick, President of **Potter Bank & Trust Co., Pittsburgh, Pa.,** have announced a proposal for a statutory merger via an exchange of stock. All outstanding Potter shares will be exchanged for stock in Fidelity, the surviving institution. The merged Bank would have total resources in excess of $325,000,000 and deposits of about $280,000,000.

* * *

The First National Bank in Parkton, Maryland, with common capital stock of $50,000 has gone into voluntary liquidation by a resolution of its shareholders dated May 12, effective at the close of business on May 26. Liquidating agents or Committee: A. Menaris France, Harvey M. Hale and R. Parke Plowman, all of whom should be addressed in care of the liquidating bank.

The liquidating bank was absorbed by **The Second National Bank of Towson, Md.**

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Kenneth R. Wells, Vice-President of the industrial division of the **American National Bank and Trust Company, Chicago, Ill.** died on June 7 at the age of 54. Mr. Wells joined the bank in 1939 and was elected Vice-President in 1948.

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By a stock dividend the **First National Bank in Gibson City, Ill.** increased its common stock from $50,000 to $150,000 effective May 28. (Number of shares outstanding —3,000 shares, par value $50).

* * *

By the sale of new stock, the common capital stock of **The Union National Bank of Wichita, Kansas** was increased from $600,000 to $720,000 effective May 27. (Number of shares outstanding—72,000 shares, par value $10).

* * *

Directors of **City National Bank & Trust Company, Kansas City, Mo.,** have voted to increase the surplus account from $9,000,000 to $10,000,000 through a transfer from undivided profits.

They also voted the regular semi-annual dividend of 40¢ per share payable July 3 to stockholders of record June 19, 1958.

* * *

The National Bank of Lumberton, North Carolina increased its common capital stock from $200,000 to $300,000 by a stock dividend effective May 27 (Number of shares outstanding—30,000 shares, par value $10).

* * *

By a stock dividend, the common capital stock of **The Midland National Bank of Billings, Mont.** increased its common capital stock from $750,000 to $1,000,000 effective May 26 (Number of shares outstanding—10,000 shares, par value $100).

* * *

By a stock dividend, the common capital stock of **The First National Park Bank in Livingston, Montana** was increased from $100,000 to $200,000, effective May 28 (Number of shares outstanding—2,000 shares, par value $100).

Globus Director

Morton Globus, associated with Sutro Bros. & Co., members of the New York Stock Exchange, was elected a Director of the Board of

Morton Globus

Cormac Photocopy Corp., manufacturers of office copying machines. Mr. Globus is also a Director of the Starrett Corp., Seagrave Corp. and B. S. F. Company.

Daily Bond Crier Published Today

The 17th annual issue of the "Daily Bond Crier" is being published today. This satirical paper is printed each year in connection with the annual outing of the Municipal Bond Club to be held June 13 at the Westchester Country Club, in Rye, N. Y. Included are lampoons on the investment and banking fields and of regular newspaper features such as book reviews, sports, etc.

Charles E. Weigold, Chas. E. Weigold & Co., Inc., retiring President of the Municipal Bond Club, is listed as publisher. This year's editor is Berger Egenes, Merrill Lynch, Pierce, Fenner & Smith.

Copies of the "Crier" can be ordered from William E. Simon, Weeden & Co., 25 Broad Street, New York City. Papers will be ready on the 12th floor at the opening of business June 12.

Joseph Olmsted Joins Richard J. Buck & Co.

Joseph N. Olmsted, formerly with Lehman Bros. and Tri-Continental Corp., has become associated with Richard J. Buck & Co., 39 Broadway, New York City, members of the New York Stock Exchange, as Director of Research.

LETTER TO THE EDITOR:

Advocates Unrestricted Private Control Over Money and Banking

Contributor condemns recent ABA report, which recommends lower and more uniform fractional reserves behind deposits, for failing to part company with "the fundamental philosophical error in our Society's approach to the whole problem of money, banking and credit." Mr. Johannsen prefers that we dispense entirely with our central banking system and declares "it is no more a function of the State to regulate money and banking than it is a function of the State to regulate the growing and marketing of onions." Writer terms what we have is a "socialized banking system" and a "precursor of socialism in all business." Recommends private enterprise should regain control over the coining of money and operate under a gold standard wherein it would define the monetary unit.

Editor, Commercial and Financial Chronicle:

Recent events indicate that the recommendations of the Economic Policy Commission of the American Bankers Association in its report on "Member Bank Reserve Requirements" have found a receptive climate. That being the case, it would appear to be in order to analyze some of the fundamentals underlying the report.

O. B. Johannsen

The principal recommendations of that report are that member bank "reserve percentages should be reduced over a period of years from the present average level of 16.5% of net demand deposits to 10%," and that eventually there should be a reduction in "reserve requirements for time deposits to 2%."

The report apparently assumes that any questioning of the composition of reserve is beyond its purview. It is unfortunate that such a position is taken as by so doing it ignores economic realities and adheres, instead, to a narrow juristic path.

After all, the Commission is properly concerned with the fact that the "present system of member bank reserve requirements is not well adapted to present-day conditions." It points out that "the chief function of member bank reserve requirements is not to contribute to bank liquidity but is rather to serve as a fixed part of the mechanism of monetary management." That being the case, it is a little surprising that it apparently did not feel that this is the time to make an intensive study whether this change in the function of reserves, from that of protection to that of being a fulcrum for monetary manipulation, is a wise one or not.

Would Keep Government Out of Banking

Certainly, it does seem time that certain fundamental questions should be studied, as, what is the proper composition and nature of reserves, who should control and maintain the amount a bank should carry, and what functions, if any, the government should have in the field of banking. Possibly definitive answers to these queries might help to meet "the monetary and credit needs of our growing economy."

The fact that such questions are not entertained may be indicative of the fundamental philosophical error in our Society's approach to the whole problem of money, banking and credit. It may be that this erroneous approach is analogous to the fallacious one that astronomers adopted before Copernicus. In order to describe the motion of the planets, they constructed ingeniously complicated cycles and epicycles, which while they gave some answers could not accurately describe planetary motion as their fundamental premise was based on the false assumption that the earth was the center of our universe. Their whole system was properly thrown into discard when Copernicus demonstrated the basic truth that the sun was the center of our universe, and the description of the circuits of the planets then became the relatively simple formulations used today.

Analogously, the Commission apparently accepts without question the fundamental principle that money, banking and credit revolve around the State and that the State must, therefore, control monetary affairs through political action. But the truth is that money, banking and credit actually revolve around the individual, and he controls the monetary mechanism through the medium of the marketplace. This means that money and banking are functions of private enterprise, and under the control of the individual through his patronage or lack of patronage in the marketplace. The interference of the State does not alter this fact, though it does restrict the individual so that his control is weakened and becomes less efficient as a result of the confusion into which he is thrown by the State's manipulations.

It is no more a function of the State to regulate money and banking that it is a function of the State to regulate the growing and marketing of onions. Possibly had the report shifted its attention from the State and placed it where it belongs, on the individual, it might not have come up with recommendations on reserve requirements which, quite likely, will add fuel to the fires of inflation which are sweeping the nation today.

It has been estimated that the initial half point reduction in reserves instituted by the Federal Reserve Board recently, released a half billion dollars in credits which when they work their way through the banking system will amount to six times as much, or $3 billion. This and subsequent actions of the board have been bad enough, but the expansion under the Commission's proposals would be much more serious.

Our nation is at a crossroads too serious to permit the easy acceptance of old modes of thought. On the one hand, in the field of the natural sciences we are developing tools and instruments which make it easier for man to obtain the material requirements of life. Our tremendous inventions, discoveries and production are the result of the fact that they are conducted under the aegis of private enterprise, wherein the free exercise of man's intelligence to arrive at answers is permitted, unencumbered with the bureaucratic interference of the omnipotent and omniscient State. On the other hand, unfortunately, the State has injected itself into the field of the Social Sciences, which is the principal reason they are in such a mess.

Sees Dichotomy in Natural and Social Sciences

This dichotomy — of freedom and progress in the natural sciences, and of restriction and retrogression in the social sciences —cannot long continue. One or the other must give way. Either the social sciences obtain the freedom from the State that the natural sciences have, or the natural sciences will begin to wither away.

The prospect of space travel which thrills the imagination of man will die aborning for the complexities of our civilization are such that new vistas of knowledge and adventure wait not so much on the growth of the natural sciences as they do on the growth of the social sciences. And the social sciences can grow only when operating under conditions of freedom. When the social sciences break down, the ensuing wars, revolutions and disorders which occur not only bring about the subordination of the natural sciences to the State, but lack of interest in pursuing them.

One of the most important phases of the social sciences is the monetary science. In keeping with the trend to intervene in the social sciences, the State has, to the limit that it could, gathered money, banking and credit together into one centralized banking system controlled by itself. But a governmentally centralized banking system is a socialized banking system, as the essence of socialism is the control and direction by the government of that which should be private enterprise.

Unfortunately, the report does not seem to recognize that our banking system has been socialized although it is obvious, as most of the banking fraternity are in the unenviable position of having all their actions prescribed by the government's bureaucratic agent, the Federal Reserve Board.

It is precisely because of the bankers' subservience to this bureaucracy that they are forced to prepare this elaborate report, which amounts to little more than a petition humbly begging that changes be made in reserve requirements. It is undignified that the bankers should be put in such a position. The question of how large a bank's reserves should be is one which the individual bank concerned should determine, not some centralized authority, just as the amount of inventory a businessman carries should be determined by himself, not some meddling bureaucrat. What a ghastly mess things would be in, and will be, if such socialistic controls as we have in banking are permitted to permeate all business.

It should be apparent now that with the inception of the Federal Reserve System, America adopted a system dealing with a phase of private enterprise totally different from that under which most other businesses are conducted. Manufacturing, mining, trade are carried on by private individuals all seeking to make a profit with the customer as the King. No arbitrary commission, or group of men, or bureaucrats determines who shall make cars, what cars shall be made, what prices shall be asked, what reserves of cars shall be maintained, whether 16½% or 10%, nor how they shall be distributed geographically. This is all done by private individuals, and they are guided by King Customer, who directs them by buying or not buying.

A Precursor of Socialism

Unfortunately, in banking, which has as its principal raw material the most important of all commodities — money — we have adopted socialism. This is an alarming fact upon which private enterprise cannot look with equanimity, as a socialized banking system is the precursor of socialism in all business. It was not for nothing that Karl Marx in the Communistic Manifesto advocated the centralization of banking and credit in the hands of the State. He knew this was the easiest way to socialize all enterprise for by diluting money and credit — the binder which cements the entire structure of private enterprise together—the whole structure can be made to fall of its own weight.

Our erroneous treatment of banking started in earlier days when local legislative bodies unwisely established laws controlling banking and credit. These local laws led to excesses, as wild cat banking, which resulted in demands for further laws. Had banking been let alone to develop as other businesses were, no banks would have been created which were actually banks only within the definition of law, and existed hidden in forests where they could do no business, being merely devices for unscrupulous men to make profits through chicanery. The only banks that could exist would be out in the marketplace where they could do business.

Unfortunately, it is a tendency of man in seeking to correct conditions caused by man-made laws to pile more laws on top of the original ones instead of removing the trouble-making laws altogether. Such has been the case with banking, wherein the local laws which caused the trouble in the first place were succeeded by laws of higher legislative bodies until finally the Federal Government stepped in, and it has compounded all the errors which have gone before.

Those who assume that money and banking must be managed by some small group of presumably dedicated men, operating under man-made directives, probably do not appreciate the true grandeur and scope of the world in which we live, nor the wisdom with which the world is ruled by Divine Intelligence. That Intelligence knows how puny men's brains are, and that, therefore, men cannot trace to their ultimate conclusions, nor comprehend, the total effect of their actions on other men.

Conditions of Perfect Freedom

The only way men can live in society in perfect harmony with one another is when they act and react in spontaneous unconsciousness under conditions of perfect freedom. Their actions and reactions in society can no more be under their conscious, deliberate, planned control than can the beating of a man's heart be under his planned control. The activities of men in society are too complex and too far reaching for men to be able to direct them consciously. But, in the furtherance of their own aims, as long as they act in accordance with the principles of justice, their actions will tend to be in perfect harmony with their fellow-men's. This is because, though they are not aware of it, they are really acting in accordance with the directions of Divine Intelligence, which makes no mistakes.

Some comprehension of this fact is dimly perceived by men at such times as when they feel how undignified and frustrating it is that they should wait with bated breath upon the actions of some politically appointed monetary authorities, who are no better equipped to determine what reserve requirements should be, nor to foretell the future than any of them.

The simple fact is that money is a function of private enterprise. It came into existence because men wished to exchange their goods and services for other goods and services. It was not the conscious creation of any man or group of men. Men naturally exchanged the special article they produced for the most marketable commodity in the community. They did this because they knew they could then more easily exchange this commodity for the particular goods and services they wanted. No group of grey-beards, flanked on every side by statisticians, monetary experts, economists *ad infinitum*, came up with this commodity we call money as the solution. It is beyond the capacity of man to create such a wonderful mechanism as money consciously, much less control it. It is, indeed, a gift of the Almighty.

The important function of stamping and coining money, which many assume was always a function of the State, actually was initiated by private enterprise, again for the simple natural reason that it made it easier to make exchanges. Private enterprise should regain control over the coining of money. A step in the right direction is the return to the gold coin standard. That, after all, is really a means of defining the monetary unit, and at the same time binding the hands of government so it will not manipulate money. But, it must be remembered, whenever the government is concerned with a thing, it has a tendency to build an empire of it. Therefore, as soon as possible, even the defining of the monetary unit and coinage should be taken from it and put back into the field of private enterprise.

Banking and credit are also functions of private enterprise, and they, too, were the natural outgrowth of the unconscious actions of men who were seeking to put their money in a secure place. Putting their money for safekeeping with goldsmiths led to the issuance of certificates of deposit, which led to the issuance of promises to pay money, now called banknotes, and the gradual creation of banks.

It cannot be emphasized too strongly that there is only one efficient, sound and just system of banking, and that is one which is composed of strictly independent, private banks answerable only to their stockholders, as all businesses are. Under such conditions, the banks are actually under the control of the man in the street, who by his patronage or lack of it, determines which banks will exist and which will not.

Enough time has elapsed to demonstrate to those who sincerely thought banking and credit could operate efficiently as a socialized institution what a terrible failure it has been. As a result of its socialization, such a sound commercial procedure as a bank putting its superior creditworthiness back of short-term self-liquidating commercial transactions, in the form of banknotes or demand deposits, has been perverted into an extremely subtle device to create irredeemable purchasing media. Thus it is that the Federal Reserve System has been called an engine of inflation though it might more accurately be described as a gigantic printing press pouring out money-substitutes in the form of Federal Reserve Notes and demand deposits.

Even the most perfunctory study should convince one that the gradual evolution of the world's delicately precise monetary mechanism was not the conscious creation of man, but rather the result of Divine Intelligence working through man. As such, money, banking and credit are not mere mundane aspects of man's life, but rather contain within themselves a beauty and grandeur which is the product of the same Author who creates the indescribable beauty of a flaming sunset.

The delicacy with which money and credit fluctuates in response to demand and supply, darting here and there to fit the needs of man, is as exquisitely graceful an example of the Harmonious Spirit ruling all as is the faultless harmony of a nightingale's song.

Man touches such creations of the Almighty at his peril. To tinker with the spontaneous harmony which exists among money, banking and credit, under the milieu of freedom, is as foolish as it would be to tinker with a nightingale's song, if such were possible. A structure as the Federal Reserve System is a tribute to the ignorance or arrogance of man—ignorant not to know that he has been given a perfect monetary mechanism if he will only let it alone to develop naturally: arrogant to think that he could improve on the workings of the Almighty by invoking the aid of the State.

Sooner or later our socialized system of banking must come to an end. It will either suffocate to death as it is bound with more and more socialistic red tape, or it will break out of its fetters to useful life. If banking is to become a live, virile healthy force for growth, the banking profession cannot continue to submit meekly to the rule of the bureaucrats. It must stand up and fight for its freedom, and in so doing it fights for the freedom of all of us. Rather than dissipate its energies on such reports as this one of its Economic Policy Commission in a vain endeavor to adjust itself to the control of the State, it should boldly proclaim its aim to free itself from the shackles of socialism.

To implement this action, it should institute a great educational campaign. The bankers themselves must learn the full implications of unrestricted private control of banking, and must not be afraid of it. Possibly they will have to unlearn a lot which they have accepted uncritically. Above all, they must educate the people to the absolute necessity of private enterprise in money and banking if our civilization is to progress.

It will not be an easy fight. Too great a vested interest in socialistic control has been created not only in the government but within the banks themselves. But it must be done if we are not to retrograde. Our socialized banking system is a cancer spreading its cancerous fibers throughout society, which it will help ultimately to destroy if allowed to continue.

Visionary to dream that money, banking and credit can be taken from the hands of the State? Was it visionary to believe that tattered Colonials could wrest their freedom from mighty England? Was it visionary to believe that simple farmers and merchants could rule themselves and transform this land into the mightiest of all civilizations? Visionary? Freedom is always visionary, but freedom can always be won if men will but fight.

O. B. JOHANNSEN,
825 Walnut Street,
Roselle Park, N. J.

Phillips-Galtney Co. Formed in Jackson

JACKSON, Miss. — Phillips-Galtney & Company has been formed with offices in the Deposit Guaranty Bank Building to engage in the securities business. Officers are William F. Galtney, President; Logan Burch Phillips, Secretary-Treasurer; and Robert G. Nichols, Jr. Mr. Galtney was formerly with Kroeze, McLarty & Co. Mr. Phillips was with Scharff & Jones, Inc.

$10 Million Bonds of New England Pwr. Co. Offered to Investors

Offering of $10,000,000 New England Power Company 4% first mortgage bonds due 1988 was made on June 10 by Halsey, Stuart & Co. Inc. and associates at 102.655% and accrued interest, to yield 3.85%. The offering group was awarded the bonds June 9 on a bid of 101.841%.

Net proceeds from the sale of the bonds, together with approximately $5,000,000 proceeds from a common stock issue to be sold by the company to New England Electric System which owns all currently outstanding New England Power common stock, will be applied first to the payment of short-term note indebtedness; any balance will be used for capital expenditures or to reimburse the treasury for such expenditures.

New England Power generates and sells electricity in wholesale quantities to other electric utilities doing a retail distribution business and to large industrial consumers. It has no residential or commercial customers. Operating revenues in the 12 months ended March 31 totaled $53,581,706 and net income amounted to $7,958,325. Fixed charges during the period were earned 6.01 times.

The bonds will be optionally redeemable at ordinary redemption prices ranging from 106.66% to 100% and for special purposes at prices ranging from 102.66% to 100%.

Baron, Black Exhibit

BEVERLY HILLS, Calif. — Baron, Black, Kolb & Lawrence, Incorporated, 253 North Canon Drive, have taken space in the California Home Show, at the Pan Pacific Auditorium, June 12 through June 22 for an exhibit to emphasize the tremendous growth of America and stimulate greater interest in American industry.

Some of the unusual features of the exhibit will be five foot models of the Nike and Thor guided missiles, the new DC8 jet passenger plane, a solar radio and an exact model of the Satellite Explorer in orbit over the exhibit.

CORRECTION

In the "Financial Chronicle" of May 29 in reporting that Emile A. Legros had been elected a director of Textron, Inc., because a line of type was inadvertently dropped from the item it was indicated that First Cleveland Corporation, Cleveland, of which Mr. Legros is president, had become a division of Textron. This is not the case. The item should have read: "Mr. Legros . . . is presently President and Director of the First Cleveland Corporation, Cleveland, Ohio, and was formerly Chairman of the Board of Fanner Manufacturing Company, which became a division of Textron, Inc. on Jan. 13, 1958."

Continued from first page

As We See It

areas of Asia, Southeast Asia, and the Near East, they will have won the battle for the world."

It would be difficult to say which has less to support it, the former denial of the possibility of further growth or the idea that we must convert ourselves into a semi-socialistic state in order to match the Soviet Union in future growth, or even, perhaps, insure continued growth at all. Much of the concern over this matter appears to conceal a suspicion that the socialistic or communistic system has inherent advantages over our traditional free enterprise. We—or some of us—fear the competition of communism in the world and soon convince ourselves that we ourselves must become at least semi-communistic if we are to survive the competition. For our part, we have not the slightest doubt that the free enterprise system promotes growth—healthful, beneficent growth—far more effectively than any sort of socialistic or communistic system. If we lag, it will be because we refuse to give our traditional system free rein.

What Is "Growth"?

But what is this thing we call "growth"? Is it merely expanded volume of production? Is it simply larger output per capita? If this were all that is involved, it is possible—though we doubt it at least over a considerable period of time—that some sort of collective effort might outstrip free enterprise. But does such a concept of growth have any very valid meaning? Is it not essential that the right things be produced? It seems to us that much more is involved than mere volume of output. An economy, particularly one which is managed by a small group of men directing all economic effort, might well grow spectacularly over a period of years and leave the people less well off rather than better off. There can be no doubt that Russia has been successful in producing huge amounts of armaments. It appears about as well established that great progress has been made in what is known as the industrialization of the country. The real question is, though, how much progress has been made in supplying the rank and file with what they really want.

As we see it, it is people themselves who decide and ought to decide through the free market place what is to be produced and in what amounts. And it is a free economy which is capable of reading the meaning of what takes place in these free markets and of supplying goods and services in the quantities that the consumers themselves decide is required or needed. And the measure of true economic growth is the degree in which such products are brought into being and placed in the hands of the people. There may or may not be good and sound military reasons for uneasiness about the rate of what is called economic advance in Russia, but the growth of the economy of that country measured in output of goods the people would like to have may be quite another story.

That governmental or political interference—to say nothing of governmental or political control—may and does often bring the wrong products into being is clear enough in the history of this country during recent decades. We boast a 290% "growth" in the national income of the country from 1929 to 1956. What we sometimes fail to realize is the fact that national income originating in agriculture — that is, the net product of our farms measured in what is known as factor cost as all other elements in the national income are measured — rose nearly 95%, and that a very large part of this increase in output has been unwanted either at home or abroad at anything approaching true market prices. A substantial part of our growth over these years is thus represented by the production of articles worthless, or nearly worthless, at least in these amounts.

More Government

Let us not forget either that this 290% growth in national income also included a vast labyrinth of governmental "service" which enriches no one unless it is political appointees. If we take only the wages and salaries paid out by government, we find an increase of 700% over this span of years. Of course, a substantial part of this increase reflects the larger defense organization which we must maintain in these perilous times but the increase in the number of men and women and the salaries they draw for all sorts of governmental activities and supervision of the citizens of this land of ours is startling to say the least. Nor must we overlook the fact that through various kinds of "insurance," "guarantees" and the like, government in this country in recent years has exercised a marked influence upon the choice of consumers among the products offered and thus upon the relative production of such items.

But why should we worry about future growth in the output of the goods we ourselves attach real value to? There is one and only one reason for worry about it. That is that we are inclined to use the techniques of socialism and communism and thus thwart the normal, natural processes of a free economy which through many decades and even centuries have proved themselves capable beyond any other system of providing us all with the goods and services we really want. The way to promote true economic growth is simple enough—and effective enough. It is to leave the economy as free as may be to respond to the demands of the people exerted in free markets everywhere. We may rest assured that no one has any better system.

Continued from page 3

A New Look at Investment Analysis and Management

he always felt he could not admit a mistake to a client until the security in question had lost half its value. I have usually thought of 10% as a good place to start retreating, but actually each case has to be judged on its own merits.

(2) **Turn over a portfolio:** We would not as analysts think very much of a storekeeper who laid in a permanent and static stock of goods and marked it up and down as a price levels changed, and considered that a measure of performance. We would look at what he sells and how much of it. We would be concerned with his turnover and his realized profit. The wise merchant is not bothered by selling at a retail profit as replacement prices advance. He realizes the value of keeping his stock fresh and popular. If he doesn't, his "paper" profit is exposed at some point as an illusion, and it finally vanishes. Likewise, if prices are declining he must clear his stock quickly or the long-term consequences will be much more severe.

Thus, security portfolios should be regarded in exactly the same light. They must be kept fresh; paper profits should more often be turned into cash, mistakes liquidated, and retained holdings limited to those with the best possibilities ahead.

(3) **Do not average:** This is one of the rules with the least exceptions.

(4) **Maintain a speculative attitude:** I believe that if you fail to aim at making large profits, you will rarely keep your capital safe.

(5) **Don't overdiversify:** Large fortunes are rarely built on diversification. This practice breeds average results, and average results do not spell success in the stock market.

(6) **Consider the ultimate consumer of your stock:** There is a time tested maximum in Wall Street that I haven't heard mentioned in recent years. Nor has it been given any spotlight of importance in recent investment thinking. And the saying is, "Stocks were made to sell."

Stocks Held in Preference to Dollars?

Could it be that the dollars received from stock sales have fallen into such low repute that many stocks are being held for no better reason than that the owner does not want dollars?

It is far worse to own a bad stock than a bad dollar. Dollars in recent years have been depreciating at a rate of about 3 to 4% a year. Stock values can evaporate at far greater speed in comparison.

In evaluating a stock for purchase it is essential to check the character of its present ownership and consider the type of buyer you expect will take it off your hands later at a profit. Remember he must be there—he must be willing to pay a price that to you is high because you expect to sell. You can not intelligently leave that to chance.

Primary Question Raised

All listed seasoned stocks, which are principally what we are considering here, are owned by somebody. Who owns them when you accumulate and who you expect will eventually take them off your hands when you are ready to liquidate is certainly a primary question. Yet I do not think it is in the textbooks, the training classes or taught in the schools. In fact, it is one of **THE** primary questions.

As an ideal example, imagine a stock that pays no dividends, has done nothing for years and just drifts along. Who owns it? I often wonder. As a guess, there is very little in brokers' names and next to none on margin. The stockholders' list may consist of many small holders. Why they bought it or continue to hold it is difficult to say. Perhaps they thought they were buying a bargain.

You must have a fundamental reason to expect a change. It may be new management, or a change in the economic situation, or one of many reasons.

If you are right, the developments within the company which you anticipated will take place or begin to be anticipated by a widening number. They will buy —the price will advance—activity will increase. Others will be attracted one by one. Tape readers and chart readers, floor traders, the specialist, board room traders, and so forth. The ultimate buyer who will take your stock off your hands at a profit may be any one or a number of these.

Situations like this all vary. Not infrequently you may buy a non-dividend paying stock and liquidate it as a dividend payer to buyers who seek income.

In a nutshell, successful investment or successful management or successful security analysis should be supported by a greater understanding of the market on the part of investors, and a greater willingness on the part of managers to steer away from the popular and the orthodox.

M.I.P. Purchaser's Record Found Better

As an example, let us examine the group of securities known as the "Favorite Fifty." I think it surprised a lot of people when the 50 favorites of the Monthly Investment Plan purchasers in 1956, which represents the smallest and least experienced group in the market, declined less the following year than the pick of the professionals as reported in the "Favorite Fifty."

The actual decline for the first group was 9.1% as compared to 17.0% for the 50 stocks most widely held by trusts, funds and other institutional investors. A primary reason was no doubt the excess conformity and unity of action that caused excessive pricing of the institutional group. Another factor was that later earnings figures showed they were not as gilt-edged as many came to believe.

Stockholder education that would give investment managers greater latitude would inevitably broaden their field and veer them somewhat away from their standard choices. This would in time result in lower PE ratios for many of the old leaders and improved ratios for many worthy but now neglected secondary shares.

It would indirectly increase liquidity and foster reasonable cost financing for smaller corporations and thus also foster their faster growth.

The National Bureau of Economic Research has just published a study that reveals that investors have similarly overvalued high grade bonds and undervalued the riskier ones — to their own disadvantage. Much of this disparity in the case of bonds was forced by public regulatory authorities.

Too Much Keeping Up With Dow Joneses

It appears that there is too much of keeping up with the Dow Joneses, and of finding the "Favorite Fifty" a common and protective umbrella. The group's significance is vastly overrated. Where an issue is exceedingly popular and the position is very big, it often only signifies that this is one issue that **did** particularly well and was not liquidated. Its position seems large due to the increase in market over cost. Investment managers have a tendency to seek the safety of numbers in these issues.

It is true that during the bull market of 1950 to 1957, the investment stocks proved to be the best speculations. Thus, since there are mainly investment stocks in the "Favorite Fifty," their performances during the greater part of the bull market were very good. However, this profitable action occurred during a particular period, and there is no reason to believe that the fundamental economic factors that caused the situation will hold true in the future.

The "Favorite Fifty" of 1964 are not going to be the same "Favorite Fifty" we knew in 1957. All one has to do is to look back a few years to 1950 to get an idea of the rate of change. Two-fifths, or about 40%, of the list in those days is not in the list today and, of course, that means that almost half of the favorites today were not considered good enough back in 1950.

The Objective Made Clear

The aim of investment managers and advisers should be to lead rather than follow, and to buy on anticipation rather than realization.

We should adopt a new approach and a new freedom toward accepting losses. Losses should be accepted on an investment basis when situations do not develop as anticipated; not on the basis of how a published portfolio or record might appear, or what a client might think. If we do not have the courage of our own convictions, we are never going to be able to truly use our abilities!

I can not help but feel that many of the standard approaches are applicable more in theory than in practice. For example, I have received in the mail a most carefully compiled analysis of a certain corporation. The statement

estimates 1958 earnings as a possible deficit of four dollars per share.

In putting the analysis in my binder I paused before destroying the former statement which I placed in my book. It was dated just three months before. Its estimate of earnings then was $7.25 per share. I believe an analysis dated about six months earlier estimated even larger earnings.

I must ask: Where is the investor who based his price appraisal on the earliest and highest estimate? He would have felt the stock was a bargain even at higher prices.

It reminds me of some very early market experiences I had in 1922 in San Francisco. In those days I did not know enough not to be impressed with the "ratings." However, it did not take many years to learn that these ratings were mostly historical, and not in any sense prophetical.

Conclusion

With the trend more and more towards investors turning their funds over to professional management, be it their broker, an investment counselor or banker or indirectly through a fund, the importance of a far flung campaign to teach investors not to be back seat drivers, or to criticize results without actually understanding the proper yardsticks, will benefit everyone concerned.

Television Shares Promotes Two

CHICAGO, Ill. — William H. Cooley, President of Television Shares Management Corporation, 135 South La Salle Street announced this week two important management promotions.

Fred A. Freeman John L. Porter, Jr.

John L. Porter, Jr., Assistant to Mr. Cooley for the past year, was named Vice-President of the company. Mr. Porter is also a member of the Investment Committee of the corporation, which is the investment manager and principal underwriter for Television-Electronics Fund, Inc. Mr. Porter has had some 25 years of active experience in the securities field and immediately prior to joining Television Shares Management Corporation was a member of the Midwest Stock Exchange.

Fred A. Freeman, Assistant Treasurer since the formation of Television Shares Management Corporation in 1948, was named Treasurer, taking over duties which have been performed during the past 10 years by Mr. Cooley.

Mr. Freeman entered the securities business in 1927. Prior to joining Television Shares Management Corporation he was connected with several well known securities firms.

Jos. Walker Changes

Joseph Walker & Sons, members of the New York Stock Exchange, announced that Edward S. Blagden has retired as a general partner but will continue as a limited partner.

Thomas J. Farrelly has been admitted as a general partner and Stuart H. Clement, Jr., formerly Vice-President of National Aviation Corporation, has become associated with the firm.

Is Britain's Disinflationary Era Drawing to a Conclusion

By PAUL EINZIG

Dr. Einzig explains why he foresees the ending of the disinflationary era in Britain, and depicts likely effect upon equities and gilt-edged securities. The writer comments on current efforts to secure additional dollar credit and concludes that successful recurrence of dollar facilities will at first have favorable effect upon the economy, but that in the long run it will have a weakening effect. Sees, as the final result, the entry of a Labor Government in the not too distant future unless the present regime succeeds in satisfying the middle-class floating voters of its determination to stand firmly against inflation.

LONDON, Eng.—There are indications that the disinflationary drive initiated with the increase of the Bank rate in September last is drawing near its end. The Bank rate is now 5½%, and it seems probable that before very long it will be restored to its pre-September level of 5%. Even though unemployment is still increasing slightly, certain key industries such as the motor industry are working to capacity and are able to absorb much of the unemployment in other industries. At present the banks do not find it difficult to maintain the volume of credits within the ceiling fixed by the Government. But it is widely expected that should the ceiling be reached and should there be further demand, the authorities would not insist too rigidly on the letter of the rule they laid down in September that the volume of credit is not to exceed its figure for 1957.

Paul Einzig

Admittedly, the effect of the disinflationary efforts has been a distinct slowing down of the rise in wages and prices, but the much-desired stability of wages and prices has not been achieved. Production has been more or less static, and the increased productive capacity achieved in recent years through capital expenditure has remained largely unused. Naturally enough the Government is anxious to resume expansion of production, as it duly realizes the unpopularity of stagnation. Many industrialists, too, are now inclined to believe that, if the choice is between stagnation and inflation, the latter is the smaller evil.

Evidence Seen in Dollar Loan Efforts

The fact that the Government has now embarked in all earnest on an effort to secure additional dollar facilities is in itself an indication that the disinflationary era is drawing near its conclusion. Should the Government succeed in achieving a considerable reinforcement of its gold and dollar reserve the temptation to risk a re-expansion would be too strong to resist.

The London Stock Exchange has been for some time devoid of any distinct trend. Government loans have failed to derive adequate benefit from the lower Bank rate and the improved position of sterling, because of the possibility of resuming inflation on its previous scale as a result of a weakening of resistance to wage demands. On the other hand, equities have been under the influence of the uncertainty whether disinflation would continue. The continued rise in wages might cause, in the absence of an expansion of consumer demand, a contraction of profit margins. Already there have been some important reductions of dividends. The capital goods industries are particularly under a cloud of uncertainty, and fears are entertained about export prospects.

This would change the moment the Government succeeded in securing the additional dollar facilities. The conclusion of such an arrangement would be a signal for investors and speculators to buy equities, on the assumption that inflation would now be resumed. Needless to say, they would still have to keep on eye on Wall Street and on the commodity markets. For in the absence of some degree of recovery in the United States and in the raw material producing countries, it would be idle to expect a British boom. But the most important single factor that is liable to affect the trend on the Stock Exchange would be the Government's ability to stop disinflation, thanks to a dollar credit.

Effect on Gilt-Edged Securities

Logically the prospects of a reflation should affect the Gilt-edged market unfavorably. No doubt it would in the long run, for the resumption of inflation on the scale it was proceeding in recent years would mean a resumption of the flight from fixed interest-bearing securities. But taking a short view a dollar credit would tend to cause a further rise in the Gilt-edged market, owing to the psychological effect of the improvement of sterling's prospects. For one thing, the threat of another autumn crisis would be removed, and the Bank rate could be reduced further. Even at 5½% it is abnormally high, and there can be no doubt that the Treasury would take advantage of the possibility of reducing the burden of the public debt if it could lower interest rates without endangering sterling.

The immediate reactions to the conclusion of a dollar credit would be doubtless favorable. Taking a long view, however, it would mean a distinct weakening of the British economy through the weakening of resistance to inflationary forces.

Nor is the political effect of the transaction likely to be beneficial in the long run. Possibly the termination of the very slight recession might increase the Government's popularity. But this effect would soon be offset by the effect of a further rise in wages and prices. The attitude of the middle classes is entirely determined by the Government's ability to arrest inflation. So far there has been very little indication of any revival of confidence towards the Government's economic policy.

Middle Class Will Turn to Labor

If the Government were to continue its effort to resist inflation, it might induce the middle classes —which now include the more highly paid classes of skilled workers — to give the Conservative regime another chance at the next general election. But many people of the middle classes are now inclined to take the view that possibly a Labor Government might be better placed for resisting inflation. Unless the present Government succeeds in satisfying these floating voters that it is determined to stand firm against inflation, Britain will be doomed to have another Labor Government in the not too distant future.

New Coast Exch. Member

Anson H. Hines, an officer, director and voting stockholder of the Cooke Investment Company, Inc., of Honolulu, has become a member of the Pacific Coast Stock Exchange through purchase of a membership in the San Francisco Division and will confer the privileges of his membership on the firm. This is the second Honolulu securities firm acquiring membership in the Pacific Coast Stock Exchange within the past year.

Morgan Stanley to Admit Partners

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange on July 1 will admit Robert H. B. Baldwin and J. Sheppard Poor to partnership.

Forms J. B. Dawson Co.

SKILLMAN, N. J. — James B. Dawson is engaging in a securities business from offices on Rocky Hill-Blawenburg Road under the firm name of James B. Dawson & Co. Mr. Dawson was formerly with Texas Securities Corp. and W. E. Wetzel & Co.

Continued from page 13

Misconceptions About Price Behavior, Administered Pricing

duction fell 34.8%, while prices *rose* 8.8%.

Thus far in the current recession, steel production has fallen 43.2% while steel prices have *risen* 7.6%.

It is interesting to note that despite price *declines* ranging from 7.2% to 18.8% in the four prewar recessions, production fell more than 55% in three of them. In the three postwar recessions, with price *increases* ranging from 2.9% to 8.8%, production has declined between 27.7% and 43.2%.

Thus, there have been somewhat smaller decreases in production generally during the postwar periods when prices rose than during the prewar periods when prices fell. I hasten to add that I am not suggesting that the way to limit the decline in steel production is to raise prices. I am merely noting the fact that price change as such has not been the primary determinant of the level of production. The demand for steel is affected by many factors other than price. Consumer buying, profit expectations by buyers, prices of substitute products, and numerous other factors often are more important than price in determining the demand for steel.

When Price Cuts Are Not Helpful

During a period of recession, for example, it is difficult to sell machinery even if prices are cut. This is so because at such times, the profit visibility is poor and it is the profit outlook which is the primary determinant of purchases of machinery and other capital goods.

Similarly, when the job outlook is clouded, consumers are reluctant to buy these products, such as automobiles, for which additional use can be obtained from their existing stock. Several studies have indicated that price is not a significant factor in the demand for steel. It is probable, however, that price relationships between steel and substitute products are more important than the absolute level of steel prices over the longer term. What I am saying is that the price of steel is one of the less important determinants of demand for capital goods and for consumers durable goods during periods of recession and that these types of goods provide the most important ultimate markets for steel.

Price-Production Ratio During Recession

Let me turn now to an examination of price-production relationships during a period of recession. The statement is frequently made that the best way to stimulate demand for a product is to reduce its price. However, this simple generalization loses much of its meaning when an attempt is made to apply it to particular situations. Small changes in price would have little effect upon the demand for many products. And major changes for many prices are ruled out by relatively high and rising labor costs.

Studies of the changes in price and in production of individual products during the 1930's revealed little relationship between the two. Studies I have made of the manufacturing and mining industries for the 1948-49 and 1953-54 recessions also show little relationship between the magnitude of the changes in price and the changes in production for specific products.

Differing patterns of change in production are related to the economic characteristics of the individual products. Diverse experience with changes in output is not the result of the method by which prices are determined, whether by administrative decision or by market determination, or of the precise change in prices.

Specifies Steel Behavior

I should like to illustrate this lack of relationship by reference to what has happened to the prices and shipments of steel in several recent recessions. For example, in the 1937-38 recession, the prices of nails and staples, galvanized sheets, and cold rolled strip all declined about 2.8%. However, gross shipments fell 9.9%, 25.1% and 47.5% respectively. In other words, with the same percentage decline in prices, the decline in production was almost five times as large for cold rolled strip as for nails and staples. If price were the sole or primary determinant of the volume of shipments, we would not have such widely varying changes in the volume of shipments.

Let me next illustrate this point by reference to the changes recorded in the 1948-49 recession. Although the prices of each of the following products increased by about 7%, gross shipments changed as follows:

	Per Cent
Cold rolled carbon sheets	+ 5.7
Cold rolled stainless strip	— 7.0
Carbon tie plates	—23.9

With price increases of about 11%, gross shipments of hot alloy rolled bars *declined* by 25.2% while shipments of concrete reinforced carbon bars *rose* by 1.5%. With a price rise of almost 8%, gross shipments of carbon skelp rose by 3.5% while those for cold rolled carbon strip fell by 17%. Even though prices were increasing during the 1948-49 period, there were four products for which gross shipments were increased.

The experience during the 1953-54 recession was similar. With price increases of about 4½%, the gross shipments of barbed wire *fell* by 17.1% while for woven wire fence they *increased* by 22.0%. There were nine categories of steel products for which prices rose between 4.1% and 5% in 1954. The changes in gross shipments for these items were as follows:

	Per Cent
Woven wire fence	+22.0
Structural shapes-carbon	— 9.8
Barbed wire	—17.1
Standard pipe-carbon	—17.2
Hot rolled sheets-carbon	—23.6
Plates-carbon	—28.2
Hot rolled alloy bars	—37.8
Cold rolled strip-carbon	—42.5
Tie plates-carbon	—44.6

Clearly, the magnitude of price changes alone was not the determining factor in the overall change in gross shipments recorded during that recession.

A review of the experience in these recessions reveals little relationship between the magnitude of changes in prices and in shipments of individual steel products. The different rates of change in steel production and shipments during periods of recession reflect the varying characteristics of steel consuming industries rather than steel price behavior.

This point may be illustrated by the differences in the changes in gross shipments of cold rolled sheets in the 1937-38, 1948-49, and 1953-54 recessions. The automobile industry is the major purchaser of cold rolled sheets. In 1957, about 52% of the shipments of this product went to the automobile industry.

During the 1937-38 period, factory shipments of passenger cars *fell* by 48.6%, gross shipments of cold rolled sheets declined by 40.9% and prices declined 4.9%.

In the 1948-49 recession, factory shipments of passenger cars increased by 30.7% and gross shipments of cold rolled sheets *increased* by 6.6% although prices rose 6.9%.

In the 1953-54 period, there was a decline of 9.2% for automobiles. Shipments of cold rolled steel *declined* by 14.0% while prices rose only 1.2%.

Clearly, the level of demand for automobiles rather than the changes in the price of cold rolled sheets was the primary factor determining the demand for that product. Similar illustrations could be drawn for other steel products.

Price Stability and Recession's Depth

The failure of prices and particularly of some administered prices, to record large declines during recessions often leads to the criticism that this situation results in deepening or prolonging of a recession. Purchasing agents know that patterns of price behavior vary widely for different products. Some products fluctuate less in price than do others. Prices represent income to the seller as well as cost to the buyer. In evaluating the significance of price changes both sides of the price coin must be examined. Thus, in the 1948-49 recession, inflexible prices fell less than did flexible prices—having risen only about one-third as much in the preceding inflation. That this development may have contributed to the shallowness of the 1948-49 decline, instead of accelerating it, has been suggested by the U. S. Department of Commerce in its comment on these trends:

"The stability of these [inflexible] prices . . . was a bolstering factor in the renewal of business purchasing for inventories and of capital expansion programs which accompanied the upturn in industrial production in late 1949 and early 1950. Realization that the downturn in prices was limited in degree and scope and that many prices, *such as those in the important iron and steel product group*, remained unaffected meant that business purchasing could proceed without fear of losses incurred by price declines." (Italics added) (U. S. Department of Commerce, *Survey of Current Business*, Washington, D. C., April 1951, p. 10)

As the U. S. Department of Commerce has suggested, the psychological effects of a spiral of declining prices cannot be ignored.

It is frequently stated that one of the unique characteristics of the current recession is that the general level of prices has continued to rise. This conclusion is based mainly upon the behavior of the consumer price index which has continued to inch upward since last summer. During the same period, the wholesale price index has recorded only small changes.

Price Raises During Recessions

How unusual is a rise in the consumer price index during a period of receding business activity?

To answer this question, I have reviewed the six moderate recessions since 1923. The experience in the 1929-33 period has been excluded because that was a major depression. The changes may be summarized as follows:

During the first six months of the 1923-24 recession, the consumer price index *rose* 2.2% and then declined moderately so that when the recession reached its bottom, the index was still 0.7% *higher* than at the previous peak.

In the 1926-27 recession, there was a net decline of 1½%.

During the 1937-38 recession, there was a net decline of 1½%. However, during the first seven months of that recession, the consumer price index did not decline although industrial production declined by 27.7%.

In the 1948-49 recession, the consumer price index fell by 1.9%. This decline followed the postwar rise of 31.2%.

During the 1953-54 recession, the consumer price index fluctuated narrowly slightly above the July 1953 level which prevailed just before the decline in economic activity started.

If the current recession is measured from August 1957, the consumer price index has risen by 1.9%.

In summary, in the six moderate recessions during the past 35 years, the consumer price index remained unchanged or rose four times; it declined moderately twice. During one of the periods of decline, the index rose for the first seven months before turning downward. I submit this is a significantly different picture from the popular belief concerning price behavior in periods of moderate recessions.

What has happened to wholesale prices during these recessions? The record may be summarized as follows:

In the 1923-24 recessions, the total index fell by 6.0% while finished goods prices declined 6.2%.

In the 1926-27 recession, the total index declined 3.1% while the index for nonfarm-nonfood prices fell 6.5%.

In the 1937-38 recession, the total index declined 10.4% and the nonfarm-nonfood index fell 5.8%.

In the 1948-49 recession, the total index declined 6.5% and the nonfarm-nonfood index fell 5.2%.

In the 1953-54 recession, the total index declined 0.4% and the nonfarm-nonfood index fell 0.3%.

During the current recession, the overall index has risen 1.1% while nonfarm-nonfood has declined 0.2%.

Present Farm Prices

It is interesting to note that prices of farm products rose in three of these six recessions and declined in three. Thus, the rise in farm prices during the current period is not unusual. The declines in nonfarm-nonfood prices in the first four recessions were between 5% and 6%. However, in the 1953-54 recession and during the current period, changes have been fractional. Thus far, the behavior of the overall price index in the current recession has been similar to that during the 1953-54 recession.

This review of past experience indicates that the behavior of the price indexes during the current recession is not as unique at many people believe, despite the special factors which have been of some significance in connection with the consumer price index. I refer, of course, to the poor weather in Florida and in the Middle West which has contributed to a 2½% rise in food prices and to the wage inflation which has been reflected in the continuing advance of 2% in the cost of services. The retail prices of goods other than foods, have risen by only 0.3% since last August.

Wholesale Price Index

While the net changes in the wholesale price index have been rather small, some areas of price weakness have appeared. Thus, between August 1957 and March 1958, price indexes have declined for the following major commodity groups: textile products and apparel, hides, skins, leather, and leather products, fuel, power, and lighting materials, rubber and rubber products, lumber and wood products, and metals and metal products. Increases have taken place for chemicals and allied products, pulp, paper, and allied products, machinery and motive products, furniture and other household durables, and tobacco manufactures and bottled beverages. Of course, within each of these indexes, there have been diverse movements.

While basic raw material prices tend to lead changes in the business activity, consumer prices have tended to lag. Experience during the current recession has once again reflected these tendencies.

In summary, administered prices are neither new nor unique in our economy. This is the method used to price the overwhelming majority of all goods and services in this country. Price administration for steel products is typical, not unusual.

In the past, there has been no relationship between the changes in steel output and in steel prices. This lack of relationship flows from the fact that the demand for steel is essentially a derived demand and depends primarily upon the demand for the end products in which steel is used. The relative importance of steel costs is usually too small to be the decisive factor in pricing final products or in determining demand for these products by the ultimate consumer. This does not mean that a steel company can charge any price it desires without adversely affecting demand. But it does not give sole consideration to this factor. It also must consider costs, especially labor costs, competitive pressures, and last but not least, political pressures.

There is no way in which these factors can be combined into a formula and fed into a computing machine to yield the right price. The steel price maker must use his judgment to determine the relative weight to be given to each of these factors — and the weights change each time. But this is not news to you. With rare exceptions you do the same things in your pricing. Thus, the prices are administered in the steel industry in the same manner as they are administered in your own company. The details vary but the broad approach is the same.

C. J. Devine & Co. Observing 25th Year

C. J. Devine & Co.—the nation's leading firm specializing in U. S. Government securities and a major underwriter and distributor of municipal bonds—is today celebrating its 25th anniversary.

Founded by Christopher J. Devine in the depression year of 1933, the firm almost immediately became a major factor in the marketing of U. S. Government obligations, establishing quickly within the first year five branch offices in Boston, San Francisco, Chicago, Philadelphia and St. Louis.

During the 25-year period its business has soared from modest volumes initially to hundreds of millions of dollars in an average working day.

Beginning with seven partners and a small number of employees, the firm set up business on one floor of 48 Wall Street. While still headquartered at the same address, the firm now occupies four floors, has 11 partners and the number of employees has increased ten-fold.

Today the firm has a network of offices in principal cities from coast to coast and does business with thousands of banks, corporations, insurance companies and other institutional investors in every one of the 48 states and abroad. Daily at C. J. Devine, hundreds of millions of dollars in these securities, and millions more in municipal bonds are transacted —many taking place in a matter of seconds—as the firm provides close, primary markets and swift, sure service to its clients.

Continued from page 12

Administrative Prices in Recession and Inflation

Thus a big contraction in government spending without a commensurate tax reduction or a tight money policy at the wrong time could create a recession which no amount of waiting would convert into recovery except as new measures for recovery were instituted, such as tax reduction on monetary expansion, or as some popular market innovation developed such as perhaps a medium-sized, low-priced new car. The recession of 1953-54 seems to me to have been primarily of this type—with a big cut in defense expenditures and a tight money policy when there was no excess of demand. In that case recovery was brought about in large measure by the effect of tax reductions, a $6 billion monetary expansion and the success of the new car models.

What is important is that the inflexibility of administered prices make inoperative the classical mechanism of automatically maintaining full employment. The cybernetic mechanism breaks down because of price and wage inflexibility. As a result, any one of a large number of changes in our economy, or a combination, could create a reduction in total demand and institute a recession. Whether recovery would ensue without external assistance would depend on whether or not the initiating decline in demand carried the seeds of its own reversal.

In the case of the present recession, it is my opinion that it does not contain the seeds of its own recovery. If I am correct in believing that the recession has been caused primarily by the tight-money contraction of the money supply when normal economic growth required normal expansion, then it is not self-correcting. If no major action is taken to induce recovery, the downward spiral will undoubtedly come to a halt—assuming, of course, that there is no further contraction in the money supply, such as took place after 1929, and no new depressing events occur. Some people seem to think that the recession is already bottoming out, though the figures on employment don't seem to support this conclusion. When it does bottom out, there is likely to be some rise in employment as fear of further recession subsides and inventory reduction shifts over to inventory accumulation. But as long as there is a serious deficiency in the supply of money, full recovery is not likely to occur without positive steps to bring it about.

Producing Recovery

What then should we do to get recovery?

One proposal is that we wait for automatic forces to bring recovery. I have indicated why I think such a policy is not likely to succeed.

Another possibility is a major government drive to bring about a sizable downward revision of administered prices and wage rates so as to simulate the classical cybernetic mechanism. Such a price level reduction was more or less successfully accomplished in Australia after World War II, but there the purpose was to adjust the Australian economy to the international value of the pound and not to achieve recovery from a recession. I very much doubt that a forced reduction in administered prices and wage rates would increase real demand and employment. Rather business should be encouraged to keep administered prices stable at a reasonable relation to the costs at a full-employment level of activity. A great body of administered prices are already so inflexible that it would be better to have them remain inflexible than to try to make them flex with fluctuations in demand. Of course, any prices that have been raised too high in relation to costs should be adjusted downward — perhaps aluminum is a case in point — but dependence on a general downward revision of administered prices and wage rates to bring recovery seems to me the wrong way to go at it.

The basic problem is to increase demand at something like present prices and wage rates. And because my analysis indicates that the tight money policy has been the main cause of the contraction of demand — after all, it was planned that way — monetary expansion seems to me the crux of the recovery job. According to my crude estimates, the total money supply — demand deposits and currency — is something like $6 or $8 billion less than the individuals and enterprises of this country would choose to hold if we had full employment at something like the present price-wage level and current short-term interest rates.

The reversal of the tight money policy which has already occurred is a step in the right direction. But low short-term interest rates and ample reserves will not increase bank loans and the money supply if business has no need for the funds. You cannot push a string. And expansion of the money supply through bank purchase of securities is likely, in part, to increase the demand for money balances as well as the supply. Reliance solely on an easy money policy is likely to produce a delayed and long drawn out recovery.

The same is likely to be true of a public works program, or increased defense expenditure. They take effect slowly and may have their primary impact after recovery has been achieved.

Even a government deficit resulting from the recession-reduced revenue can only damp the extent of the recession and not produce positive recovery if it is financed by borrowing from the public.

Proposes Two-Fold Program

In this situation, I recommend what I will call a "buying power expansion program." It consists of two parts: (1) a quick, temporary, and sizable tax reduction which will be quickly spent by the recipients, and (2) the financing of the resulting deficit by monetary expansion through the sale of government securities to the banking system. For example, the complete suspension of the first bracket personal income tax for just three months would put $5 billion of extra buying power in the hands of the public in that period. If the resulting deficit were financed by borrowing from the banking system so as to increase the money supply by $5 billion, we would have both a sizable increase in demand and a supporting increase in the monetary supply.

It should be noted that the monetary expansion in this buying power expansion program is just as important as the temporary tax reduction. A temporary tax cut without an increase in the money supply could be expected to give only a temporary stimulus to demand, much like the Soldiers' Bonus of the 1930's. A monetary expansion alone would fail to the extent that it increased the demand for cash balances as well as the supply. The combination of tax reduction and monetary expansion could be expected to have a continuing effect of higher demand. Also such a program could be expected to reduce the government deficit over a period by increasing tax revenue in the months after the tax reduction by more than the tax reduction itself. From the point of view of the Government alone, it would be good business.

Once this temporary buying power expansion program is completed, I believe that monetary measures alone could bring complete recovery and maintain reasonably full employment, though they could not prevent a continuance of administrative inflation. Non-monetary methods for controlling this type of inflation should be sought as the first order of economic business once recovery has been achieved.

With J. A. Overton

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif. — James H. Graves has become associated with J. A. Overton & Co., 1134 Orange Avenue. He was previously with James Kyle Company.

Mutual Fund Assoc. Add

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Cal.—Mary V. Thomas has been added to the staff of Mutual Fund Associates, Incorporated, 419 North Calaveras Street.

Doctor of Laws Degree for Mrs. Charles U. Bay

Mrs Charles Ulrick Bay (center), Chairman of Executive Committee, American Export Lines, Inc., and Chairman and President of A. M. Kidder & Co., Inc., member of New York Stock Exchange, was awarded an honorary Doctor of Law degree at Syracuse University at the 104th commencement exercises. Mrs. Bay is the widow of the former United States Ambassador to Norway. Others in the picture are left, Dr. William P. Tolley, Syracuse University Chancellor and right, Dr. Milton Eisenhower, brother of President Eisenhower and President of Johns Hopkins University.

Continued from page 14

The Food Supply of America

tional Laboratory in Upton, Long Island.

In this work, which is far from complete, a group of botanists is engaged in producing and manipulating plant mutations to improve the various species for mankind's benefit.

Results thus far indicate that radiation has started to produce mutations that are either sturdy enough to hold their own against some of the most virulent scourges or are immune to them.

Other tests are being conducted with atomic energy at the agricultural experiment station at Iowa State College.

Part of this work has centered around using radio-isotopes as "tracers" in problems of feeding dairy cattle.

Because of these radio-active tracers, it is possible to follow certain nutrients through an animal's body to find out how they are used.

A few days after an animal eats the "tagged" nutrient element, researchers are able to measure how much the animal absorbed and how much was eliminated as waste material.

In addition, it is also possible to tell which part of the animal's body used the nutrient.

Through research of this nature, researchers are learning fundamental facts about the functions of certain elements.

Thus, atomic energy is furnishing us with valuable information which may help build better livestock rations.

I have presented our expanding population's requirements for more food and a summary of the natural resources and technology available to meet these demands.

From this discussion it is obvious that we have the necessary facilities needed to produce food for our future population.

Future Developments in Food Processing

Now let us turn our attention to forthcoming developments in the processing field.

Technology has taken a firm grip on this segment of the food industry also.

Because of this, we can expect to see greater production and warehousing efficiency through the use of automation.

Key to this increased automation will be a much greater use of electronics.

Through the use of electronics, we will see a trend towards automatic warehousing . . . warehousing which employs "live" storage systems instead of today's stacking operations.

One such warehouse is already in operation, utilizing an electronic case-routing system that features the latest memory-circuit controls.

During the course of the day, more than 80% of the plant's production is shipped directly from "live" storage, with the balance placed into floor stock.

The future will also see much more use of automatic data processing to accomplish closer control of sales and inventories . . . control which is vitally necessary in today's fast-moving business world.

The experience of the past several years indicates that American consumers are willing to pay for the built-in services contained in packaged convenience foods.

This is evidenced by the popularity of such products as TV dinners, frozen pies, and cake mixes.

There is every reason to expect this popularity to increase.

Because of this, food processors will engage increasingly in catering to this demand . . . a demand which requires greater scientific control at the food processing level.

Research and development of new products will also continue to be dominant factors in the future activities of manufacturers.

Statistics show that approximately one-third of the foods now on the shelves of super markets didn't even exist 10 years ago.

Although the fight for in-store shelf space is terrific, you can depend on manufacturers to equal or better their past new product performance in the next 10 years.

Future food processing will undoubtedly make increased use of such techniques as radiation preservation, dehydration, dehydrofreezing, and treatment by antibiotics.

According to some sources, 1960 should see several radiation processed foods on the market.

These same sources predict that within 20 years, 5 to 10% of our foods may be irradiated.

This may be within the realm of possibility, since the Army's Office of the Surgeon General has now cleared more than 100 irradiated foods for human testing.

Much depends on the outcome of these tests, being conducted by the U. S. Army Quartermaster Corps.

One good omen is that for 12 weeks, human volunteers consumed a 100% diet of irradiated food without any adverse physiological effect.

However, before widespread consumer acceptance of irradiated foods can be obtained, a tremendous educational program and selling job will have to be done.

In summary, it is my opinion that no one of these newer processes will replace present methods now being used.

Instead, they will supplement them and make some foods available in several processed forms—thus giving the consumer a wider selection from which to choose.

Future Changes in Food Distribution

Before closing, I'd like to describe the coming changes in our food distribution system.

Here, too, we can see more advanced methods, brought about by applied technology.

As in the processing industry, electronics and automation will govern future operations, assuring faster handling of orders and prompter service to customers.

For example, in the wholesaling field, fully automatic warehouses will most probably dominate tomorrow's food distribution picture.

Actually, designers today see no technical obstacles to push-button warehouses.

They claim that they have all the material available right now.

The only point on which they differ is in warehousing procedures.

One designer visualizes a robot order picker, commanded by punched cards, touring the warehouse, selecting the necessary merchandise, and then assembling it at packing stations.

Another concept is a computer-controlled warehouse.

With this system an operator places the customer's order on something similar to an IBM punch card, puts it in a machine, and through electrical impulses releases the required articles from a rack.

At this point the articles are carried directly into a waiting vehicle and deposited on a rack—untouched by human hands.

Prophets of the future depict a regular fantasyland as the super market of tomorrow.

One of the primary changes is a much larger store—somewhere in the neighborhood of 100,000 square feet.

Such a store might be spread out on one floor—or could be two or three stories high.

In any event, this merchandising marvel will be a shopper's paradise, equipped with such features as customer lounges, talking store directories and air curtain doors.

Beautifully blended color schemes, bathed in electronic light, will cast a restful glow over the entire market.

In order to shop these mammoth supers, planners visualize customers riding motor carts—with traffic lights at intersections to avoid collisions.

Some markets will be equipped with moving floors—a less hazardous method of shopping than motor carts.

These huge markets will have endless variety.

For example, in the food section, the shopping list will include irradiated foods, frozen meats, and antibiotic-treated foods, etc.

In addition, you will be able to shop around the clock, as batteries of push-button vending machines will be at your service. Experiments are presently being conducted with this type of operation.

These machines will offer a fairly extensive assortment, including meats, butter, milk, coffee, tea, crackers, bakery goods, cookies, and paper items.

The new king-size markets will contain shoe repair services, give you a beauty treatment or a haircut, do your laundry, dry-clean your clothes, and provide you with almost any service you wish.

If the experts have their way, the check-out counter will run smoothly, too.

They propose to accomplish this with electronic devices which will speed you on your way.

One of the projects being studied is an electronic eye which would add up the cost of your purchase.

Another system being contemplated is one whereby you would select your merchandise, pay your bill, and wait for your packages to be delivered.

This, then, is the "store of the future" as visualized by many industry leaders.

In addition, work is also progressing on two electronic stores, also proposed as possible stores of tomorrow.

Conclusion

In conclusion, I'll just say this:

Barring unforseen circumstances, our food supply seems ample for many years to come.

In addition, there is every possibility that we will have a wider variety of processed convenience foods . . . foods which will be distributed to us more rapidly, in comfortable, pleasant places to shop.

This paints a very pleasing picture—and I ask you—gentlemen, where else but in the United States could you paint such a picture today?

Bertram Alanson

Bertram E. Alanson, partner in Alanson Bros. & Co., San Francisco, passed away May 25 at the age of 81. Mr. Alanson was the oldest active member of the San Francisco Stock Exchange (now Pacific Coast Stock Exchange); he had served as President of the Exchange and was a member of its governing board three times.

A. T. Brod to Admit

A. T. Brod & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on July 1 will admit Jules Frank to limited partnership.

Continued from page 5

Developments in World Trade And Monetary Policies

and a world-wide precarious and unstable monetary system.

(3) Barriers to international trade.

Let us analyze these problems in light of the recent developments.

The one question on everyone's lips in Europe is what is happening to the United States economy? Our nation consumes 40% of the world's goods and our imports which amounted to $13 billion in 1957 are a vital part of the production of many of our allies and underdeveloped countries. The condition of the United States economy has a great and a direct impact on the prices of raw materials and hence on the economic health of the countries that produce them. These countries include, of course, most of South America and Asia. Even the industrialized countries of Europe are watching with an anxious eye for their exports to be seriously reduced.

Because of the impact of our economic affairs on the rest of the world, the other nations expect us to manage our economy with foresight and wisdom. They delight at joy-riding our booms but they expect us to avoid depressions. At the same time, those who have seen the evils of runaway inflation in their own countries warn us of the dire consequences of large doses of deficit spending. They also realize that a continued inflation in the United States would inevitably spread abroad and would further weaken the foundations of individual liberty.

What are we to do then? I for one do not believe that a so-called creeping inflation would prevent unemployment. Quite to the contrary, it may well increase it above what a normal readjustment would require and prolong the duration of the recession. The wisest counsel comes to us from the Guaranty Trust Co. Survey of May 1958:

"The basic need is for lower real costs, especially labor costs, with correspondingly lower prices, to tempt buyers into the market. If this need cannot be met by reduction of dollar costs, the demand arises that the Government provide a substitute in the form of more inflation. If the demand is granted, the way is automatically paved for a repetition of the boom-and-bust cycle, with another inflationary 'cure' to follow. Thus inflation begets boom, boom begets recession, and recession begets the demand for more inflation.

"Where is the means of escape from the vicious circle? Shall the economy 'sweat out' the recession on the basis of rigid costs, however long and painful the process may be? Or shall cost flexibility be restored? The first alternative would be economically deplorable and, in all probability, politically impossible. The restoration of cost flexibility also is difficult to envisage in the present climate of public opinion. Yet from the economic standpoint it would be far preferable to prolonged and severe depression on the one hand or chronic currency debasement on the other."

Ending Monetary Difficulties

The international monetary disorder that has existed since World War II and even before has become such a part of our lives that it sometimes seems to be a normal state of affairs. However, the fact that some poisons claim their victims faster than others does not make the slower-acting ones less effective. Every foreign trader knows that American exports are restricted in countless ways by nations afflicted with balance of payments problems. This problem is often and properly linked with trade but it should always be remembered that quotas, exchange-controls and other restrictions on trade are imposed as the *result* of monetary difficulties. If the monetary chaos in the world were ended, the rationale for many barriers to trade and particularly to exports from the United States would disappear. Then the valuable machinery of the General Agreement on Tariffs and Trade would be truly useful in causing governments to abandon restrictionist trade policies and discrimination against American products.

The only way in which monetary stability and hence free convertibility of currencies can be restored to the world is through the painful reimposition of discipline on governments. Just as the roots of the present recession can be found in the great monetization of debt that took place during World War II and abuses of credit thereafter, so can the responsibility for the depletion of reserves and lack of international liquidity be found in the same causes.

Before 1914, the Bank of England could run the gold standard with a gold reserve that seldom exceeded Pds. 40 millions supplemented by a second line of reserves in the form of short-term credits extended by London to all corners of the globe. A comparison of gold reserves and total world trade shows clearly that the question of international liquidity today is a critical one. In 1937, the gold reserves of the free world were equivalent to 49% of the value of world trade. Inflation and the growth of trade has reduced that percentage to 19%. To make matters worse, reserves have severely depleted in key trading countries. Great Britain, for example, with only 4% of the world's reserves, now finances 40% of the world's trade. Therefore the restoration of the free convertibility of the pound is both vital and urgent. There is no way of assuring a proper distribution of gold reserves among countries according to a plan. Any country can acquire gold reserves if it puts its mind to it and has appropriate economic and monetary policies. The depletion of international reserves by inflation has, of course, removed a great safety factor for some nations but truly sound monetary policies might diminish the need for large reserves. We should do everything we can to help Great Britain restore urgently the free convertibility of the pound.

I would like to be optimistic about the possibilities of achieving sound monetary policies. My recent trip to Europe, where I participated in the sessions of the monetary commissions and the governing body of the International Chamber of Commerce, has given me some reason for optimism. In my opinion it would be tragic if at a moment when Europe seems about to adopt sound monetary policies, the United States should be seduced by the cheap money men and embark on the type of inflationary policy that has brought so many ills to Europe.

Heartening European Voluntary Agreement

The most heartening event that I encountered in Europe was the adoption by the International Chamber of Commerce of an historic resolution calling on the na-

tions of the common market to follow a path of cooperation and restraint on monetary policy. This resolution was drafted by many of Europe's great leaders in finance and banking under the chairmanship of Maurice Frere, President of the Bank for International Settlements and former Governor of the National Bank of Belgium. It calls initially for a gentleman's agreement among the central banks of the common market countries to coordinate their policies or making credit available to the private sector of Europe's economy. Then the resolution urges that the six governments agree not borrow money from the central banks unless a competent international body has determined, in accordance with criteria agreed on in advance, that exceptional circumstances required such loans. The effect of this proposal would be to put an end to deficit spending by governments. At the same time these agreements wouldn't hamper the normal intervention of each central bank in its market. If the nations of Europe accept the advice of the International Chamber — and they will find it difficult to turn a deaf ear to the views of the best banking and financial experts of the world—the weakest link in the common market will have been corrected and one of the most important economic events of the postwar world will have taken place.

The third fundamental economic problem facing the free world is that posed by trade barriers. Here again, I am disheartened by what is happening in the United States. Since 1934, we have followed a trade policy that, in general, has served this nation well. In recent years, we have begun to chip away at that trade policy. This year it seems that we shall retreat even further—at our own detriment and that of our allies and the rest of the free world.

Whom Are We Protecting?

Of all the current issues of public importance, I can think of none so clear cut as that of United States trade policy. Last year the United States Council of the International Chamber of Commerce presented a proposal for a modern Trade Agreements Act. It was a proposal to bring the 1934 Act more in line with the present-day economic position of the United States and our position of world leadership. It was not a free trade policy but a practical program to limit the role of government as much as possible in foreign trade matters. We were disappointed when the Administration ignored our recommendations and requested instead a continuation of the present Act with further concessions to the protectionists. Incidentally, I would like to add at this point that I have never liked the label "protectionist" for high tariff advocates. What are they protecting? Certainly not the jobs of the four and a half million Americans who depend on foreign trade for their livelihood. They are protecting, at best, the non-competitive industries that tend to use capital and labor less efficiently than others.

Returning to the fate of our trade policy, we have seen that once the Administration had requested a bare minimal program from the Congress, the inevitable compromises that take place were certain to cut into the very flesh of our trade policy. The present bill as passed by the House Ways and Means Committee is in the tradition of our successful Reciprocal Trade Program but it is riddled with demeaning compromises. We hope protectionists will not gain much from his bill but each compromise will cost the prestige of the United States dearly. We often ask ourselves why, despite our generosity, do we have so many detractors in the world? Perhaps the trade bill offers an explanation. The United States is continuing its reciprocal trade policy, but we seem to have done everything possible to make it appear that we are doing so begrudgingly, without conviction or awareness of our responsibility as a major factor in the international trade network of the free world.

The recent abhorrent attacks on the Vice-President of the United States are an example of how our halting trade policy plays into the hands of our enemies. Those who staged these riots were able to use cases of American restrictions or threats of restrictions on oil, lead and zinc to inflame mobs into a mood of violence. If anyone doubts this, they should read a recent report issued by the United States Council summarizing the views of foreign business leaders —surely our best friends abroad —on American trade policy. These views ranged from lukewarm approval to outright cynicism about our professed desires to expand world trade.

In addition to the old cries from industries that have claimed the need for protection for years, new voices have recently been added to the opposition of the Reciprocal Trade Program. These voices which have come from some of the most substantial industries in the land have expressed concern that the United States is becoming a high-cost produced and must therefore resort to restrictions on imports. I cannot agree with either contention but would like to make it clear that if the first were true, it would be all the more important to use our resources most efficiently and not to squander them in the industries that need the greatest tariff protection. Fortunately, the United States is still a low cost producer of many products. In 1957 we exported nearly $9 billion of manufactured goods with a high labor content and we imported only $2 billion of such goods. It is quite true that if labor costs continue to rise without any corresponding increase in productivity, we will suffer in our international trade. However, we will suffer even more at home though inflation. The answer is, of course, not tariffs but some means of curbing the power of labor unions to force unjustified wage rises and to encourage businessmen to resist such demands. In the long run, however, it is essential that we operate our economy efficiently and continue to improve our industrial machine that is still the envy of the world. We will not do this by catering to the selfish needs of those industries which may appear efficient but which do not measure up to the rigorous standards of an uncompromising twentieth century.

In conclusion I am mindful of the words of Theodore Roosevelt who said "We have no choice, we people of the United States, as to whether we shall play a great part in the world. That has been determined for us by fate. All that we can decide is whether we shall play it well or ill."

Walter A. Bone

Walter A. Bone, limited partner in Abbott, Proctor & Paine, passed away May 24.

Golkin Co. Absorbs C. V. Converse & Co.

ALLENTOWN, Pa. — The business of C. V. Converse & Co., Commonwealth Building, will henceforth be operated as a branch office of Golkin & Co., New York securities dealers, it has been announced by the latter firm. C. V. Converse will be Manager of the Allentown office.

Now Pasternack & Co.

The firm name of Pasternack, Roberts & Co., 92 Liberty Street, New York City, has been changed to Pasternack & Co.

Corporate Secretaries Elect Officers

WHITE SULPHUR SPRINGS, W. Va.—The American Society of Corporate Secretaries, Inc., elected Bertram M. Betsch, of New York, as President during its 12th annual meeting.

Bertram M. Betsch

Mr. Betsch is Secretary and Treasurer of Electric Bond & Share Co., a New York investment firm.

Named Vice-Presidents were Harlan B. Collins, Secretary of the Link-Belt Company, Chicago; John N. Dillen, Secretary of The New York, Chicago and St. Louis Railroad Company, Cleveland; Sheldon F. Hall, Vice-President and Secretary of the Burroughs Corporation, Detroit; Thomas C. Moroney, Secretary of the Honolulu Oil Corporation, San Francisco, and T. Stanley O'Brien, Secretary of the Air Reduction Company, New York.

Joseph L. Caliri, Secretary of the National Dairy Products Corporation, New York, was elected Secretary, and Frank C. Straat, Jr., Vice-President of The Marine Midland Trust Company of New York, was elected Treasurer.

Directors elected for three-year terms were: John S. Black, Jr., Secretary and Counsel of The Stanley Works, New Britain, Conn.; James E. Ivins, Corporate Secretary of the Tennessee Gas Transmission Company, Houston; S. Whitney Landon, Secretary and Assistant to the President of the American Telephone and Telegraph Company, New York; Graydon Megan, Secretary of the Inland Steel Company, Chicago, and Robert F. Niven, Secretary of the Union Oil Company of California, Los Angeles.

The principal speaker at the annual meeting was Maxwell M. Rabb, partner of the New York law firm of Stroock & Stroock & Levan, and until May 20, 1958, Presidential Assistant and Secretary to the Cabinet. The topic on which he spoke was "The World's Most Important Board of Directors—The Cabinet."

The second speaker was James P. Selvage, President of Selvage & Lee, Inc., New York, public relations counselors, whose topic was "Shareholders—Friend or Foe."

The meeting was attended by 450 members, wives and guests.

To Be Officers of Henry Montor Assoc.

On June 19 Benjamin Malmeth will become secretary and George Colan vice-president of Henry Montor Associates, Inc., 40 Exchange Place, New York City, members of the New York Stock Exchange. Mr. Malmeth has been assistant secretary of the company.

Form Jaffee, Leverton

Jaffee, Leverton, Reiner Co., 39 Broadway, New York City, members of the New York Stock Exchange, will be formed as of July 1. Partners will be Wilton L. Jaffee, the Exchange member, Morris Leverton, Harold Reiner.

Stearns Partners

(Special to The Financial Chronicle)

On June 19 Eugene Rosenfield, Leslie G. Schoenhart, Sr. and Richard D. Weinberg will become partners in Stearns & Co., 72 Wall Street, New York City, members of the New York Stock Exchange.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Bank stocks have so long been anathema for the run-of-mill investor that sight has been lost of the benefits that have been passed on to the stockholders in recent years. It is true now, of course, that they are acting well marketwise even in the face of declining interest rates and lower volume of loans; but to many investors still partake greatly of what once were "neglected blue chips." Their action of late has been better than that of many industrial blue chips, probably because pension and trust funds recognize them as suitable back-logs for equity lists that will be held long term.

Let us say that the institutional portfolio manager regards them more in the light, generally speaking, of fixed income media than of growth securities. In other words, he uses the bank stocks for yield and stability, looking elsewhere for growth items.

Let us see what, among the leading New York City banks, has happened in the way of extras or increases, starting with 1950:

Bankers Trust—1950, acquired banking portion of the business of Title Guarantee & Trust Co. The same year, Bankers merged Lawyers Trust Co. Again in 1950, acquired the business of Flushing National Bank. In May, 1951, the bank merged Commercial National Bank & Trust Co. In 1953 Bankers absorbed Bayside National, and in 1955 the important Public National Bank & Trust was taken over. During this period the dividend was increased 50%, from $2 to $3.

Bank of New York—In 1955 a 100% stock dividend, and an increase in cash dividend (after allowance for the change in capital) of 100%—from $8 to $16, $2 of the latter figure being an extra.

Chase Manhattan—1955 merged Bank of Manhattan; 1957 absorbed Staten Island Bank & Trust Co. In December, 1956, issued rights to buy new stock at 47. Dividend went from $1.44 to $2.40.

Chemical Corn Exchange Bank—In 1951 merged National Safety Bank & Trust Co. 1954 merged Corn Exchange Bank Trust Co. January, 1956, issued rights to buy new stock at 44 (now selling around 51-52); in 1957 issued rights to buy new stock at 45½. Stock dividends of 10% each in 1953 and 1955.

Empire Trust Co.—1951, stock dividend of 14 2/7%; 1952, 12½%; 1953, 11 1/9%; 1957, 4%; 1958, 4%. Adjusting, the cash dividend rate has increased from $2.10 to $3.

First National City Bank—1955 merged First National Bank of New York by a "pay-off." 1954 rights to buy new stock at 52½; rights in 1957 to buy new stock at 60 (now in 66-67 area). Dividend increase was from $2 to $3.

Guaranty Trust Co.—1957 a 20% stock dividend. Adjusting, we get an increase from $2.33 to $4, 80 cents of the later being an extra.

The Hanover Bank has indeed been good to its shareholders. Starting with 1950 there were these stock dividends: 1951, 14 2/7%; 1954, 12½%; 1955; 11 1/9%; 1956, 20%; 1958, 11 1/9%; 1955 there was a two-for-one split. Cash dividends in the period rose from $1.05 to $2, about 90%.

Irving Trust Co.—1958, 2% in stock.

Manufacturers Trust Co.—1950 merged Brooklyn Trust Co. 1953 purchased Peoples Industrial Bank; 1956, 2-for-1 split. Dividend went from $1.18 to $2.

J. P. Morgan & Co.—1951, 25% in stock; 1954, 20% in stock; 1957 16⅔% in stock, advancing dividend from $5.72 to $10. (As Morgan is disbursing only about 43% of its operating earnings, there is room for a further dividend increase.)

New York Trust Co.—1955, 100% stock dividend. Cash dividend went from $2.25 to $3.75, the latter containing a 25-cent extra.

United States Trust—In 1950 a 150% stock dividend; in 1956 a 5-for-1 split, the dividend going from $2.80 to $3.20.

This is not a bad record for the investor who wants to see his investment grow, while at the same time give him, relatively, security of a sort that is not common in an industrial stock. There have been scores of dividend reductions among industrial commons in recent months, but none among these bank payments, and with the low payouts it is difficult to visualize any.

Continued from page 11

Banking and Government Policies To Provide Jobs and Growth

—and they will not cost the taxpayer a dime.

Revamp Depreciation Tax Policy

Let me make a third suggestion of this same general nature. One of the chief causes of the recession, as it was of the preceding boom, has been the behavior of business expenditures for plant equipment. Such expenditures were very large in 1955, 1956 and 1957. It is currently estimated that they may be 13% less in 1958 than they were last year. Until such expenditures turn upward, I do not expect to see a renewed expansion in the economy. If the Treasury were to do away, immediately, with its regulations defining the amounts of depreciation on buildings and equipment that may be charged off for tax purposes and let business management use its own judgment — so long as practice was consistent from year to year —a great stimulus would be given to business investment, one of the major keys to increased employment. This step would not require any public expenditure nor, in the long run, do I think the Treasury would lose any revenue. On the contrary, if it stimulated business spending as much as I think it might, the Treasury would probably gain.

If we look for particular industries that need additional capital investment at the present time, and not all industries do, let me suggest as a fourth point that we look carefully at the transport industry. In the phrase "transport industry" I include all forms of transportation — railroads, trucks, airlines, transit systems in metropolitan areas. It is a basic industry and one essential for national defense.

Generally speaking, the industry is in very poor shape as regards equipment, facilities and finances. Enormous capital expenditures in this essential industry are necessary if it is to carry the foreseeable burden during the next 10-20 years.

As a means of encouraging this industry to rebuild, I suggest that the Federal Government immediately suspend all the regulatory powers of the Federal agencies regulating the transport industry except those having to do with safety. I suggest this step be taken in addition to, or perhaps in place of, the various aids now being considered in the Congress.

This suggestion is advanced on several grounds. First, the regulatory powers of these agencies, generally speaking, were originally enacted on the assumption that transportation companies were monopolies and could practice discrimination in rate-making. For the most part this broad assumption is no longer valid. Second, this step would encourage capital investment in an essential industry and capital investment must increase if economic expansion is to be renewed. Third, the intent of the suggestion is not that the transportation industry should get more revenue for providing the services it now provides. Rather, the intent is, that through permitting more flexibility in its operations, the industry should be allowed to earn more revenue through providing more and better services, so that the consumer as well as the industry will benefit. As things are going now, both the consumer and the industry are suffering. Finally, this proposal is advanced on the grounds that it would provide jobs and that it would entail no expenditure by the Treasury.

Reforming Tax Structure

As a fifth type of undertaking that could stimulate the economy and which would not require the outlay of the public's money, let me say that, despite improvements in the tax structure made by the Revenue Act of 1954, it is generally admitted that tax reform is urgently needed. Revision of the tax structure offers enormous opportunities for encouraging the initiative and enterprise of individuals, and in the last analysis termination of the present recession and the stimulation of a new upswing must depend on the initiative and enterprise of individual persons. Space does not permit discussion of particular proposals, but generally speaking tax reform should be directed toward encouraging saving and capital accumulation and toward enhancing flexibility in the economy. Nor should we forget that tax reform, if it really stimulated the economy, might very well lead to increased revenues even if tax rates were reduced.

Fiscal-Monetary Policy

In closing, I should like, in accordance with the request in Senator Byrd's memorandum to say something regarding the relationship of fiscal policy and monetary policy. By fiscal policy I mean the tax structure of the Federal Government, the collection of its revenues, the management of its cash balances, the expenditure of its funds and the management of its debt. By monetary policy I mean those operations of the Federal Reserve System that influence the quantity and availability of credit.

Except, perhaps, in times of extreme crisis fiscal policy should primarily endeavor to do three things: (1) protect the government's credit; (2) provide, through debt management, the type of credit base and the forms of investment (i.e. types of Treasury obligations) needed by the economy; and (3) so far as possible minimize the effect of Federal financial operations on the private sector of the economy, particularly the price level and the level of employment. Monetary policy should serve as a balance wheel to counteract excessive expansionary or depressive tendencies, whether these arise from the private or the public sector of the economy, whether they stem from fluctuations in public spending or in private spending.

With the national debt in the neighborhood of $275 billion and governmental expenditure close to one-quarter of national income, the impact of Federal financial operations is inevitably large and the administrative problems involved in managing the government's affairs exceedingly severe. If we are to look forward to an economy based on free markets and individual liberties, it is an illusion to think that—except in times of extreme crisis—Federal financial operations can in some way be manipulated to serve ends more socially useful than the economical and efficient management of the government's affairs. It is also a mistake to think that fiscal policy can be directed toward accomplishing the goals of monetary policy without in some measure failing to fulfill its own special responsibilities.

It is the task of the central bank, the Federal Reserve System, to act as a counterpoise in economic fluctuations. The executive branch of the government—through the handling of its financial arrangements or through debt management—should not attempt to usurp this responsibility. The often-repeated policy of the Federal Reserve, "to lean against the wind," is its proper function. Part of the "wind" against which the Reserve System must lean is the effect of the financial operations of the Government itself.

Deficit financing creates inflationary pressures. So does inept debt management. It is the job of the Federal Reserve to counteract pressures that arise from these directions just as much as it is to offset the consequences of overspending or speculation by private persons and business concerns.

During the last 10 years or more, the effectiveness of monetary policy has been handicapped by two major changes in our situation. The first, which space prevents discussing here, has been the rise of important financing institutions, often governmentally sponsored, not subject to the credit policies or influence of the Reserve System. The second has been the increase in the Federal debt and the lodgment of a large segment of it in the banking system.

Placing Bonds Outside of Banks

One of the great needs, both of Treasury debt management and of Reserve System monetary policy, is the development of markets for Treasury obligations outside the banking system. Considerable progress has been made in this direction. I think it is worth considering, however, whether it might not be desirable to make a modest amount of the estates of all decedents—say $10,000—free of estate taxes to the legatees if $10,000 of the assets of an estate were in the form of government securities that had been held a minimum of seven years. Such an arrangement might provide a substantial new market for long-term Treasury securities and I doubt if the government would lose any sizable revenue through such an arrangement.

Robt. Morris Assoc. Elect Officers

J. B. Reboul, Assistant Vice-President of the Chase Manhattan Bank, has been elected President of the New York Chapter of the Robert Morris Associates, national association of bank loan officers and credit men.

Other officers elected at the organization's annual meeting, were the following: First Vice-President, William E. Scott; Assistant Vice-President of Irving Trust Company; Second Vice-President, Prestley E. McCaskie, Vice-President of Schroder Trust Company; Treasurer, Howard J. Poduska, Assistant Vice-President of the Bank of New York; and Secretary, Gaius W. Merwin, Jr., Assistant Vice-President of Manufacturers Trust Company.

Governors newly elected for a period of two years were Eben N. Blake, Assistant Treasurer of Fidelity Union Trust Company, Newark; Albert K. Greatorex, sub-agent of the Swiss Bank Corporation; and S. Whitney Satterlee of J. P. Morgan and Company.

Charles F. French, Jr., retiring President of the chapter, becomes a governor ex-officio. He is executive Vice-President of the First National Iron Bank of Morristown, N. J.

Now Richard-Morris Co.

The firm name of Prudential Investors Company, 33 West 42nd Street, New York City has been changed to Richard-Morris Company.

With Mutual Funds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Blayne L. Ahseris now with Mutual Fund Associates, Incorporated, 506 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

What Is Confidence IN YOU!

There is a general agreement among successful investment men that there is only one way to achieve lasting success in this business and that is to have and to hold the confidence of your clients. I believe that this is a basic, fundamental foundation for all successful relationships between "seller" and "buyer" in every phase of human activity, but it is especially true in those areas of personal service such as the law, medicine, engineering, and investments. Following are some of the attitudes that are essential to such a successful relationship between an investment advisor (salesman of securities) and his clients; and even as important the attitude of the client toward his advisor, if a sound working agreement that can be successful for both is to be established.

What the Advisor Should Offer His Customers

(1) *He should determine objectives.* No investor has the same problems. Some people should invest for income, others for capital gain; some should lean to high grade and sound securities; others should look for speculative situations. The amount of capital that should be placed in bonds, preferreds, common stocks, and the quality ratings that should be observed vary in every case. No analysis can be helpful and no investment advisor can do a sound job of meeting requirements unless he has the facts upon which to build a portfolio that is geared to the investor's individual needs, and the times in which we live.

(2) *He should refrain from "off the cuff opinions."* It is amazing how many investors will work for years to accumulate a reserve of investible assets (after today's punitive taxes) and make decisions upon what amounts to practically no more than haphazard "guess work." Certainly no investor should make decisions based upon "hunches" or "guesses," yet to a greater or lesser degree this is done by practically every one who buys or sells securities. What I am conscious of in this connection is that the securities salesman is sometimes placed in the position of being asked for an opinion regarding an investment about which he is very poorly informed. (To understand and evalute securities and their relative market valuations is a very involved and difficult procedure.) Certainly any securities salesman that "guesses" or "hunches" an opinion when he is asked to commit a portion of a client's holdings to the results of his verdict whatever it may be, is doing himself and his customer no end of injustice. If you don't know something basic about a situation, except a superficial opinion, then certainly you should admit it, and ask for *time* to try and find out what makes the score add up.

(3) *Once a portfolio is placed in the hands of a client there are always intermediate decisions that must be made.* Changes in politics, tariffs, inventions, competition, mergers, new financing affecting existing capitalizations, and other similar considerations are constantly affecting investments. Losses must be considered in their relationships to profits (taxwise) and dividend and interest income. Supervision is a constant and never ending obligation if you want to keep your earning assets healthy in this fast changing world. Every salesman who values his clients should not hesitate to refer both good and *bad* news to them and to evaluate the situation as it exists at the time such information is available. *Losses* are as inevitable as profits in a well managed investment account. Every investor should realize this fundamental fact of life. The best investment advisors in the business have had losses, the strongest mutual funds with the best records have taken losses, and the most successful investors in every land throughout history have had some losses but they took them and they did not let it upset their viewpoint nor their objectives.

What the Investor Owes Himself!

The investor should recognize the truths that are evident in a sound approach to his problems. How can you diagnose a client's investment needs unless *he opens up* and tells you the facts you need to help him determine an *objective investment program?* If you can make this objective clear to your clients you can also work with them to their best advantage. This means taking profits, paying taxes, taking losses and reinvesting, and *if*, after a period of 10, 20, or 30 years, you and your customers can still go out to dinner together and look at a healthy portfolio of investments, you have a client and your customer has an advisor.

I now expect someone to write a note to Dutton as follows: "Come on down off the cloud fellow, this isn't that kind of a world."

Two Anniversaries For Hank Serlen

Lewis H. (Hank) Serlen, of Josephthal & Co., 120 Broadway, New York City, on June 17 is celebrating his 50th birthday. This year is also his 25th with the firm.

Lewis H. Serlen

Golf is his No. 1 hobby, with bowling a close second. A former officer of STANY, he is still very active in the organization, and can be heard raising his voice with the STANY Glee Club.

Grabosky, Diamond Join Montgomery, Scott & Co.

PHILADELPHIA, Pa. — Montgomery, Scott & Co., members of the New York Stock Exchange and other leading exchanges, announce that Jack Grabosky and Allen G. Diamond are now associated with them in their Philadelphia office.

Mr. Grabosky has been associated with the investment securities business for the past three years prior to which he was Vice-President in Charge of Sales of Grabosky Brothers, cigar manufacturers. Mr. Diamond has been active in the investment business in Philadelphia for the past 2½ years.

Melvin Gordon Opens

(Special to THE FINANCIAL CHRONICLE)

REVERE, Mass. — Melvin Gordon is engaging in a securities business from offices at 10 Pines Road under the firm name of Melvin Gordon Company. Mr. Gordon was formerly with Edward E. Mathews Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is looking to the future with the opinion that money rates and credit conditions will continue to follow a pattern of ease. This is currently being borne out by the fact that the just completed new money and refunding operation has been so well received. The offering of a long-term bond, which appeals mainly to ultimate investors, gives a new tinge to the debt management program. It seems to give substance to the opinions not yet in too strong ascendancy, however, that the inflation problem is still upmost in the minds of at least some of the ruling echelon of the money managers.

The pattern of financing that will be developed in the coming monetary operations of the Treasury will give definite clues as to how the powers that be are looking at the future course of economic conditions. Short- term offerings are used mainly during periods of recession, whereas long-term bonds are generally used when inflation is in the driver's seat.

New Long Bond Well Taken

The new 3¼% bond due 1985 is finding a good home among the savings-type of investor, in spite of the fair amount of speculative interest which was generated in this issue. Subscriptions for the bond approximated $2½ billion, with $860 million of this coming from the savings-type of investor, $530 million from commercial banks, and $1.180 billion from all other subscribers. The Treasury in making allotments gave the savings-type investors 60% of what they put in for, in an attempt to get more of the long-term bond into strong hands. This kind of purchasing and allotment of a new Government bond issue is the non-inflationary type and is most generally used in periods when the economy is in an upswing or in a boom. In the amount that the 3¼% of 1985 was taken by the commercial banks (40% allotments), there was an increase in deposits and purchasing power, which will in some measure offset the decrease in loans which extinguishes deposits and purchasing power. All other subscribers were given allotments of 25%.

The offering of the 3¼% of 1985 for new money will help to extend the average maturity of the Government debt. However, it will take a bit of time to determine the effect that this long-term bond offering of the Treasury will have on the non-Treasury long-term money market, which is concerned with the financing of projects that are attempting to bolster a sagging economy.

2⅝s of 1965 Deemed Highly Attractive

Money market specialists, in not a few instances, believe that the 2⅝% bond due 1965 is a very attractive obligation and will have considerable attraction for the commercial banks. It is their opinion that the deposit institutions will continue to fit this short-bond into their maturity schedules since it is not expected that the 1965 maturity will be used by the Treasury in the coming refunding and new money raising operations.

Treasury Borrowing Needs Tremendous

During the next fiscal year, it is evident that the Treasury will be active in the money market, not only because of the refunding operations but also because of the new money raising which will have to be done. To be sure, there is not too much disagreement as to the indicated size of the Government deficit in the 1958-1959 fiscal year, since it seems as though the consensus is that it will be in excess of $10 billion. These funds will have to be obtained in a money market which will still have competition from private sources, even though there may be a minor tapering off in the amount of securities that will be offered by corporations. On the other hand it is not expected that the flow of tax-exempt issues will decrease very much, if at all. The elections in November might even add to the new tax-free obligations that would be coming in for sale.

Further Cut in Discount Rate Likely

With the Treasury in the money market picture as an active participant because of the large Government deficit which will have to be financed, along with the need for funds by corporations, state and local Government entities, it is not expected that the trend of interest rates, or the availability of credit will be towards that of tightness. Accordingly, it would not be out of the ordinary to see continued and important open market operations by the Central Banks as well as a further decrease in the discount rate.

The decline in bank loans is showing no signs of a let-up yet even though inventory liquidation is supposed to be slowly coming to a halt. Existing conditions means that more deposit bank money will be available for the purchase of Treasury issues, mainly the short-term ones.

T. Drummond Joins Kidder, Peabody Co.

LOS ANGELES, Calif.—Alfred J. Stalker, resident partner of Kidder Peabody & Co., has announced the appointment of Thomas B. Drummond as head of the Los Angeles investment department.

Mr. Drummond has been active in investment banking circles in Southern California since 1925 when he was associated with Kidder, Peabody's original West Coast correspondent. Later he was engaged in the investment counselling business and for the past ten years has been affiliated with a prominent New York Stock Exchange member firm in Los Angeles.

Kidder, Peabody & Co. was founded in 1865 and is one of the largest and best-known investment banking firms of the country. Over the past 93 years, the firm has played an important part in financing many of the nation's leading corporations. Kidder, Peabody & Co. holds memberships in the New York, Pacific Coast and other principal stock exchanges and maintains offices in 23 cities coast to coast.

Joins Bennett-Manning

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edwin D. Grant has joined the staff of Bennett-Manning Company, 8417 Beverly Boulevard.

Continued from page 9

The Outlook for Coal

continues: "Improved mining techniques and more efficient coal transportation systems are also expected to aid in holding the line on delivered coal prices."

We in the industry and those who purchase coal know that its price pattern has been remarkably stable during the last 10 years. Notwithstanding the inflationary pressures of that period, which have included increases in wage rates and material costs in the range of 50 to 150%, the average price realized for coal at the mine is now no higher than it was in 1948. This is the result of the industry's tremendous new investment in modern mining machinery and of the cooperation of the workers in its mines. Together, these factors have permitted coal, in terms of labor productivity, to make postwar strides unequalled by any other major industry, at the same time paying its miners the highest wage rates of any industrial workers in the world.

One more word about the Bituminous Coal Institute: It provides engineering services wherever and whenever they can be of help. BCI's approach is factual and objective. In our complex economy there is the right and economical application for oil and natural gas as fuels and this is readily recognized. But there are thousands of applications where the economy of coal used the modeern way, now and for the future, is outstanding, and we welcome the opportunity to discover these together.

After utilities, steel, and cement and other industrials, among coal's customers come the export market, retail coal merchants, and the railroads. Exports, chiefly to Western Europe and to Canada took over 75 million tons of U. S. production last year; although this market will fluctuate, the tonnage is expected to remain substantial.

More Stable Retail Market

Retail coal merchant deliveries in 1957 were estimated at something over 35 million tons. This is the hard residual core of off-track commercial and domestic business remaining after the heavy postwar inroads by oil and gas in the domestic heating market. The process of attrition here has slowed, and the retailer market is expected to hold now as a fairly stable and very valuable part of coal's business. Coal consumption by railroads dropped to about eight million tons last year and probably will decrease further.

So far I have painted a picture of coal's prospects and advantages, mainly bright and all of which is true. To complete the picture, however, I must paint some darker tones into the foreground—some present-day difficulties the coal industry faces. These problems must be solved today if coal is to help fill the nation's vital need for enery tomorrow.

One of these problems is the sticky flood of imported residual fuel oil which is diluting coal's normal markets on the Atlantic Coast. This is a thick, gummy susbtance which cannot be used in home heating, but is displacing coal under industrial boilers. Importers ship it here, principally from the Caribbean, and since it is a waste product, price it in times like these juts low enough to capture coal's customers. Residual oil imported to this country, or refined here from imported crude oil, displaced about 56 million tons of coal last year. There is not only a resulting loss in coal production and employment for miners and transportation workers, but a threat to needed coal productive capacity. We believe such imports should be limited in accordance with recommendations of the President's Advisory Committee on Energy Supplies and Resources.

It is well known that an overdose of natural gas, if it doesn't kill you, will give you a bad headache. The coal industry has a headache. It is caused by the use of natural gas under industrial boilers, and its sale for this purpose at "dump" rates. Pipeline companies sell gas to industrial consumers on an interruptible basis when the home heating demand is low. Sometimes these sales are at—or below—cost until they can capture the market. They often pass their losses along to the residential consumer.

We coal men believe America's reserves of natural gas are a great national asset, and one that should not be squandered in wasteful uses. It is a premium fuel particularly suited for certain purposes such as cooking, home water heating and certain metallurgical processes—but to use it as boiler fuel is sheer economic waste, when coal is abundantly available and well suited for the purpose. And the rate-making sleight-of-hand which permits "dump" sales of natural gas merely aids and abets this waste. This unwise policy has not only seriously injured the coal industry but has helped deplete the reserves of natural gas and drive up the price of gas in the field. We think the Congress and the Federal Power Commission should correct this situation.

Another problem is the need for expanded research. Notwithstanding coal's tremendous postwar increase in productivity and efficency of use, to which reference has been made, much more needs to be done in discovery and development of new and more efficient means of mining, transporting and using coal. There is a proposal now before Congress to establish an independent research agency for this purpose, augmenting the work being done by the industry itself. We in the coal industry are doing everything we can to get this legislation approved, and we invite your assistance because, in the long run, the benefits will be realized by the industries you represent.

The coal industry has not only the tax problems which afflict most businesses but some special troubles of its own. Oil and natural gas get a depletion allowance of 27½%; coal gets only 10%. It has asked Congress for a modest increase, to 15%—the same allowance given many other minerals.

Coal is the railroads' best customer—I am sure you know this arrangement is no longer reciprocal—and it feels that in coal freight rates it is being saddled with an unfair share of the passenger service deficit. This has been one of the reasons behind the boom in water transportation of coal. We believe there is a growing awareness of the situation on the part of the railroads themselves and a desire to take freight rate action which will preserve and promote the movement of coal via rail. Such action will be fostered through relief sought by the railroads including a check on featherbedding, the right to fix rates as needed, and freedom to abandon passenger service where it is unprofitable.

I suppose a talk on the outlook for coal would not be considered complete without a venture at short-term prediction. This naturally involves the state and immediate prospects of the economy, on which subjects you are probably better posted than I. It seems reasonable to believe that what we call the recession is beginning to flatten out, and that an upturn may occur by or before the end of the year. On this basis, probable 1958 bituminous coal production can be estimated at somewhere between 425 and 450 million tons, compared with the 490 million tons of 1957. This estimate reflects a gain in the utility and cement classifications, a decrease for the year in all the rest.

These figures serve to underline probably the most important of coal's immediate problems which is the price pressure characteristic of a recession. Since the capital cost of a modern coal mine with its complex preparation facilities has reached the range of $10 or more per ton of annual output, attraction of adequate capital to preserve the nation's needed productive capacity makes mandatory the preservation of price and realization levels for coal that will sustain the wage rates and provide reasonable return on investment. Happily, not only coal's managers but its principal customers are fully aware of this, with the result that after a period of relative price weakness in some areas, noticeable around the turn of the year, the prices for standard grades of coal have now pretty well stabilized.

Along with other basic and essential industries, coal will weather this recession and probably better than those before it. With the continued confidence of its customers and the winning of understanding and support from the public and from Congress on its immediate problems of national scope, the industry will mow through the rest of its crop of troubles and move into the bright future I have talked about. America needs its coal industry, and it will need it more with every passing year. We in that industry are determined to serve the nation well.

Form First Idaho

BOISE, Idaho—First Idaho Corporation has been formed with offices at 906 Jefferson Street to engage in a securities business. Officers are Earl D. Broadhead, President; Cecil M. Stanley, Vice-President; Ernest H. Tucker, Treasurer; and Robert G. Hall, Secretary. Mr. Hall was formerly with Wegener & Daly Co. Mr. Stanley and Mr. Tucker were with Western Securities Corp.

Continued from first page

A Look at 1958 Economy And Consumer's Attitude

depend not only upon how bad the maladjustment is, but also upon the way consumers, businessmen and the government react at various stages. No one can, with precision, measure the maladjustments, or forecast the reactions.

Some think that the down-turn is completed and that improvement is under way. If they are right, then this recession, lasting only 10 months, will be one of the shortest on record. Some believe that business activity will continue to decline throughout all of 1958 and will turn into a serious depression. That is sheer nonsense! Most forecasters expect the decline to end some time this year; but there is still a wide difference of opinion as to whether there will be a rapid improvement, or a significant period of lower activity with recovery developing only slowly. Before reaching a decision, let us appraise our present situation and then look at the key sectors; consumer demand for durable goods, particularly automobiles and homes; business inventories; business investment in new plant and equipment; and lastly, the effect of action by the government.

Where We Are Today

Our economy maintained a marked upward trend for more than 10 years, interrupted by two recessions: one in 1949, the other from the middle of 1953 to the middle of 1954. Neither was drastic; both were followed by renewed expansion.

Since the late summer of 1957, we have again been in a recession, the most dramatic evidence of which has been the increased unemployment. Last September and October, there were 2½ million unemployed, which was below the 1955-56 average. The increased unemployment in the fall and winter—particularly the sharp rise to 4½ million in January and 5.2 million in February—attracted the most attention and has had widespread political implications.

Unemployment usually rises in the fall and winter, largely as a result of seasonal fluctuation in agricultural employment and in outside construction activities. Thus a significant portion of the February unemployment was purely seasonal in character. During March and April, the number of unemployed remained virtually unchanged whereas there should have been a significant seasonal decrease. April unemployment, seasonally adjusted, of 7.5% of the civilian labor force reflects a considerable increase over the 4.4% average for 1955, the 4.2% average for 1956, and the 4.3% average for 1957.

The drop in employment has been concentrated to an exceptional degree in manufacturing and mining. Employment in wholesale and retail trade showed little decline (2%). The number of workers in government, in financial fields and in service industries, actually increased. Within the manufacturing field, the durable goods industries—particularly steel and other primary metals, metal products, machinery and transportation equipment — have been the hardest hit. Soft goods industries, except textiles and petroleum, show practically no decline in employment.

This provides us with a clue as to the nature of our recession.

The biggest single factor was a shift by retailers, wholesalers, and manufacturers from the building up of inventories to the liquidation of inventories. When retailers, or final sellers of goods, make less optimistic appraisals of future sales, or decide that they are carrying too much inventory in proportion to sales, they cut back on their orders. This usually has a cumulative effect because wholesalers cut back their orders even more. In a sense, the process spirals back throughout the manufacturing process, so that primary metal manufacturers and the mining industry feel the most magnified impact. This is the usual pattern in a recession.

Yet, the total of all goods and services produced in the country, known as the gross national product, has sustained very little decline from the all time record rate of $440 billion reached in the third quarter of 1957. During the first quarter of 1958, gross national product was at about a $422 billion annual rate, or 4% below the peak. This indicates that some industries have gone on to new highs, partially offsetting the areas which have declined.

Another indicator of overall activity is total personal income. Through February this had declined less than 2% from the peak of last August, and then increased in March and April. Salary and wage disbursements in March are off 3½%, one-half of which has been offset, chiefly by higher social security payments, and by increased unemployment compensation.

Corporate profits reached their peak in the fourth quarter of 1956 and declined almost 20% by the fourth quarter of 1957. The lower profits reflect not only the reduced rate of activity in some areas; they also reflect the continued rise in hourly wage rates during 1957, amounting to an average of 5% in building construction and retail trade and 2½% in manufacturing. Let us now look at the outlook for the key sectors.

The Consumer Sector

The consumer is **always** the most important **single** factor in determining whether business is good or bad. The only purpose of economic activity is to satisfy the consumer's wants. In our type of economy, in a peacetime period, consumer purchases of goods and services amount to 70% or more of the total output of the nation (technically called "gross national product"). Even during World War II, consumer purchases accounted for more than one-half of total output. In recent years of high defense expenditures, they have been 60-65% of total output. Thus, what consumers do is twice as important, as what government and business together do.

Inherent Stability of Consumer Spending. There has been a high degree of relationship between the amount of consumer income and consumer spending, and between variations in those aggregates. The obvious and the correct reason for the high relationship is the fact that relatively few people are blessed with an excess of income.

Thus the total amount that consumers will spend can be determined within reasonably narrow limits, under ordinary circumstances, if we know the amount of their income after taxes. In the postwar period that has been true to an even greater degree than previously. In fact, consumer spending has been between 92.0 and 93.3% of consumer income after taxes in each year since 1951, except 1955. In that year, characterized by the so-called spending binge for durable goods, it went up to 94.2%.

The high degree of stability of consumer spending in recent years was the result, basically, of a feeling of well being and a high degree of confidence on the consumer's part in his own future. Almost each year he was able to look back upon an improvement in his income, and each year he has looked forward to improved personal prosperity. Even in the recessions of 1949 and 1953-54, relatively few consumers proportionately were affected. What is more important, their temporary unemployment or the reduction in hours worked did not affect the basically optimistic outlook of consumers in general. Aided by a backlog of deferred demand for durable goods, consumer expenditures continued at a high level. Thus accumulated inventories were soon absorbed, and merchants resumed inventory purchases in line with sales.

Variations in Consumer Attitudes. While the outlook of consumers was strongly optimistic throughout the postwar period, there were variations in the degree of optimism determined largely by actual or expected changes in employment and income. These variations in degree of optimism, while not strong enough to affect total spending, were an important factor in changes in spending for durable goods. On the whole, even those fluctuations were within a narrow range. Consumer spending for durable goods was between 11% and 13% of consumer income after taxes in nine of the 12 years since World War II. In 1946, because durable goods were not generally available, it was only 10.0%. In 1950 and in 1955, both years of high consumer optimism, it exceeded those limits and was 13.9% and 13.2% respectively.

The variations can be related to changes in consumer attitudes. The **Survey of Consumer Finances**, made by the Survey Research Center of the University of Michigan for the Federal Reserve Board showed that in February of 1949, 17% of U. S. families expected their income to decrease in the year ahead. Again in February of 1954, 15% expected their income to decrease in the year ahead. Under such circumstances, they hesitated to make large purchases and particularly to buy major goods on the instalment plan. Thus in those years, consumer purchases of durable goods were at a noticeably lower level. By way of contrast, in February of 1955 only 6% of consumers expected their income to decrease in the year ahead, the smallest percentage recorded since World War II. The highest percentage in the postwar period, 40%, expected their income to increase in the year ahead. This attitude certainly sheds light on the booming durable goods sales in that year.

Subsequent **Surveys** showed that throughout 1956 and 1957 and in January-February 1958, there was a steady deterioration from the exuberantly optimistic consumer attitudes of 1955. In February of this year, 26% said they were making less than a year ago, 30% said they were "worse off" than a year ago, and 11% expected to make less a year from now. An increasing number felt that it was "a bad time to buy" cars, houses and household goods, chiefly because "prices are too high" and "times are too uncertain." Definite plans to buy new cars and houses were substantially lower than a year earlier.

Consumer Spending — 1957 and 1958. Consumer income after taxes, which amounted to $270.2 billion in 1955, increased by 6.5% in 1956 and by another 3% in the first nine months of 1957. Consumer spending increased proportionately but spending for durable goods declined almost 5% in 1956 and remained below the 1955 level throughout 1957. Thus the increase in consumer spending was directed to non-durable goods and, to an even greater degree, to services. Since August 1957 consumer income has declined less than 2%. This has been reflected in reduced consumer spending—to a greater degree in the durable goods area than elsewhere.

I do not expect consumer income after taxes to decline more than a total of about 3% from last fall's peak of $303 billion. Unless consumer attitudes deteriorate further, I would expect them to continue in 1958 to spend close to 93% of income after taxes. I expect consumers to spend even less for durable goods and more for non-durable goods and services. Some of this is the necessary result of the higher cost of living, and larger families.

Consumer spending for services has increased in every quarter, almost without exception, for over 20 years, as far back as the statistics go. It is safe, therefore, to assume that consumer spending in this area will increase. Consumer spending for non-durable goods is largely of a non-postponable type and will also not be materially affected, although there is evidence of down-grading of expenditures for food, clothing, and other items, as normally occurs in a recession.

The backlog of demand for consumer durables is gone. The consumer has bought cars, homes and other durable goods at the highest rate in history over the last 10 years. He is well supplied and, generally speaking, can postpone replacement.

This is precisely the situation in the automobile field. Close to one-half of the families in the country now own a car which is a '55 model or later. Last fall, spokesmen from Detroit expected to sell more cars in 1958 than the 1956 and 1957 figures of about six million. Current sales figures running almost 30% below last year indicate that the consumer is not impressed with the 1958 models; but that he is impressed with their higher prices and with his net outlay after deducting his trade-in. Estimates of total sales for the year now range from four million up to about five million cars.

The outlook for home building is subject to similar influences. In the first quarter, building starts were at a seasonally adjusted rate of about 900,000 homes a year. Applications for FHA appraisals have increased sharply from earlier levels and the easing in credit leads many to believe that sales for the year will be higher than in 1957. Nevertheless, sellers of new homes will have to overcome the reluctance of consumers to commit themselves for long periods at a time when misgivings with respect to future incomes are strong.

The Business Sector

The argument that the recession has ended, or will end very soon, is based primarily on an improved outlook for business inventories. These had increased $6 billion in 1955, $7 billion in 1956 and $2 billion in the first eight months of 1957, to a peak of $91.3 billion. Inventories were reduced $2 billion in the six months through February. There have been indications that, in some fields, inventories may have reached a minimum level. As soon, therefore, as defense orders increase or as consumers buy more liberally, some rebuilding of inventories will be necessary.

Business expenditures for new plant and equipment have shown increases after after year without exception during the postwar period. The reasons for this have been: (1) the tremendous growth in business activity, (2) the rapid rate of technological improvement, and (3) the fact that businessmen set their sights, generally, on building productive capacity, adequate not only for current sales but for the large population growth expected in the early '60s. For the public utilities, where it takes so long to complete construction, this has been inevitable but other business executives generally have followed the same reasoning. Thus, we have had a major investment boom of increasing strength reaching its peak in the last quarter of 1957.

During 1957, businessmen became impressed with the decline in corporate profits which began in the fall of 1956, with increasing costs generally, particularly the increased cost of borrowing money, and with the existence of excess capacity in some fields.

Thus, the survey published by the United States Department of Commerce late in March indicates that businessmen expect to spend $32 billion on new plant and equipment during 1958, a 13% decline from last year's record $37 billion. The public utilities are the only major group expecting to show an increase.

The reversal of Federal Reserve credit policy, beginning in November, has reduced the cost of long term money more rapidly than in any previous similar period of time. Federal Reserve open market operations and the reduction in reserve requirements have provided commercial banks with additional loanable funds and they have reduced the prime rate. Thus, both long- and short-term funds are available when business decides to expand inventories or capital expenditures.

The Government Sector

While demand from the private sector appears to be receding, it is clear that the government sector will increase its total purchases in 1958. State and local expenditures totalled $36 billion in 1957, and have increased since 1953 by $3 billion each year. With the needs for school and other community construction evident, state and local expenditures can be expected to rise by about the same amount in 1958.

Federal purchases moved up in each quarter of 1956 and continued to rise through the second quarter of 1957, when defense outlays began to taper off. However, in the light of the latest budget estimates, both defense and non-defense Federal expenditures are expected to rise in the next several quarters.

In addition, both political parties have increased pressure for anti-recession measures that would either cut taxes or increase Federal spending. These proposals [illegible] the following principle: government expenditures in excess of taxes collected add to the purchasing power of business firms and consumers. It is argued that this added purchasing power will be quickly spent and thus relieve unemployment. The Eisenhower Administration has counselled wisely, in my opinion, against hurried, rash action, warning that there is greater danger from doing the wrong thing than from doing nothing. What the Administration and Congress will finally do is anyone's guess.

We should point out several economic facts: First, any government spending or tax reduction should be directed so that the added purchasing power will be spent on the goods where unemployment now exists. How to accomplish this is not clear. Second, the stimulated spending by consumers or business must occur promptly to be effective. If it is deferred and comes only after an upturn, it will add to inflationary pressures. Third, any government action must bring about desirable consumer and business reaction. Namely, it must promote private confidence if it is to increase total spending.

The Administration has taken a number of steps which are in keeping with these facts. To translate authorized expenditures into employment at the earliest possible date, for example, it has asked for a speed-up of road building and all other construction projects

already under way. Similarly, the Defense Department announced a speed-up in awarding contracts for trucks and trailers. This is designed to improve employment, particularly in the automobile field, one of the areas most affected by reduced civilian purchases.

The Administration has proposed measures which would enable state unemployment compensation funds to borrow from the central Federal fund and extend the period during which unemployment payments are made. This would relieve the dire suffering resulting from protracted unemployment. This has the advantage of being limited to the current emergency.

The Administration has come out strongly against "make work projects" and against public works authorizations which, generally speaking, would result in significant expenditures only after the emergency has passed. It is also clear from the experience of the 1930's that such projects, while they may relieve unemployment, do not add to confidence and hence do not stimulate expansion of consumer or business purchases.

Tax cuts are preferable to public works programs. They should be designed to improve our present tax structure. They must not be limited to the lower income brackets. To be effective, they must promote a climate of confidence which will stimulate spending by consumers and business. Otherwise, the money received will merely be hoarded, i. e., added to cash or savings, and will then have an unwanted inflationary impact when spent at some future date after the upturn has been resumed.

Summary

It is desirable to attempt to draw these threads together. We are not in another rolling readjustment, affecting only a few industries without having widespread implications. We are in a recession. Nevertheless, the total of goods and services produced and total consumer incomes have been affected very slightly, despite the very sharp impact on the consumer durable goods industries, the railroads, steel and other primary metals, and certain other industries, and despite the virtual doubling of unemployment above what may be called a normal level.

Since total consumer incomes are well maintained and will probably continue to be, the crucial question is that of consumer attitude. The consumer's confidence (in his own future well-being) has been sufficiently shaken to curtail his purchase of durable goods significantly. Unless it is shaken further, he will probably not curtail his expenditures for services and for soft goods. When his confidence is somewhat restored, and when he becomes convinced that the goods being offered are good values, he will begin to resume purchases of durable goods at a more normal rate. He will then, too, commit himself at a more normal rate on long-term contracts, to buy homes and cars and other durable goods on time, and to seek cash loans to clear up his accumulated bills.

This upturn, I think, will come within the next three to six months and will progress slowly. There is also a question in my mind as to whether he will be willing to commit himself as freely in the future as he has been in the recent past. The chief users of consumer credit in recent years have been the "young marrieds" with growing families. Generally speaking, they knew nothing about the long depression of the '30s. This is their first taste of widespread, prolonged unemployment. I think it will make them somewhat more cautious in taking on financial commitments in the future.

The course of consumer buying will determine when business will shift from inventory liquidation to inventory accumulation. An increase in business investment in plant and equipment also awaits business confidence in a resumption of profitable utilization of such facilities.

In this connection, let me point out that the industries in which volume has declined the most are those which set the fashion of long-term union contracts with assured annual wage increases and the cost-of-living formula. For a number of years, annual wage increases which exceeded the increase in productivity could be passed on in the form of higher prices to the consumer. However, in our type of competitive economy, the consumer calls the turn.

In an election year, particularly, government action in the form of tax cuts or public works or both, is inevitable unless the decline in the private sector is arrested very soon. It is to be hoped, that action by government, management and labor will result in a minimum of built-in inflationary pressures. Sound economic growth can be resumed before the end of this year, but it can be sustained only with price stability.

Public Utility Securities

By OWEN ELY

Houston Natural Gas Corp.

Houston Natural Gas supplies natural gas to the Gulf Coast area of Texas, serving a population of 1,750,000 including portions of metropolitan Houston. Other important cities served are Corpus Christi, Texas City and Baytown. In these days of severe regulatory problems for gas companies doing an interstate business, Houston enjoys a considerable advantage in that its operations are entirely within the State of Texas.

Prior to Nov. 1, 1956, the company bought most of its gas from Houston Pipe Line Co. and was the largest customer of that company. On Nov. 1 it bought the entire capital stock of the pipeline from Atlantic Refining Co. for some $38 million (including debt outstanding). This amount was raised through sale of bonds and debentures to institutions and sale of convertible preference stock to the public. This more than doubled the capital structure. A $6 million revolving bank credit was also arranged, which still has nearly two years to run.

On Aug. 1, 1957, the company made another important purchase, acquiring the properties of the McCarthy Oil & Gas Corp., thus more than doubling the scope of its producing operations and adding materially to estimated reserves. The company had formerly owned whole or partial working interest in leases covering about 13,500 acres with 46 producing wells. The McCarthy properties added whole or working interests in 110 producing oil and gas wells in the Gulf Coast area together with 7,800 acres of undeveloped leases.

The company now has gas reserves (owned and controlled) of about 2.1 trillion cf. or nearly 20 times present annual requirements. Its intrastate character should make it relatively easy to obtain adidtional reserves. The 1,200-mile pipeline system obtains gas from 82 producing fields.

Principal industries in the area include oil production and refining, petro-chemicals, food processing, farming and livestock raising. The petro-chemical industry is a heavy buyer of gas. The company's sales are about 42% residential, 10% commercial and 48% industrial. Deliveries are not subject to seasonal fluctuation to any great extent, due to the warm climate.

While Houston Natural Gas has to compete with United Gas Corp., it now serves about 43% of the Houston market compared with 23% some 20 years ago. Its operations in the industrial market, in this area, also compare favorably with those of United, both companies selling at the same spread. The company's franchise in Houston, which would have expired in 1957, was renewed on favorable terms in 1955 for a period of 17 years.

The common stock was split 3-for-1 in 1948, and 2-for-1 in April 1958. Adjusting for these two split-ups the growth record has been as follows:

	Revenues	*Common Stock Record		
Yrs. End. July 31	(Mill.)	Earned	Dividend	§Approx. Range
1958	---	†$1.87	‡$ .80	25½-19
1957	$26.7	1.42	.75	19½-16
1956	16.8	1.13	.50	19 -11½
1955	15.2	.91	.50	14½-11½
1954	14.9	1.08	.50	14 -10½
1953	13.6	1.01	.50	11 - 9½
1952	11.1	.66	.40	10 - 8½
1951	9.2	.75	.40	9½- 7½
1950	7.2	.53	.40	8½- 7½
1949	7.1	.73	.40	9 - 7
1948	6.5	.71	.37	9 - 7½
1957	5.6	.65	.33	8½- 6½

*As reported by Standard & Poor's.
†Estimate for 12 months ended April 1958 by President Wimberly.
‡Present indicated rate following split-up.
§Calendar years.

Favorable weather conditions probably had something to do with the recent good showing. The industrial load in holding up well, an average of 234 million cf per day having been sold in the first four months this year compared with 246 million last year. President Wimberly is optimistic regarding the development of gas air-conditioning. The combined heating-cooling appliance which is being developed by Arkansas Louisiana Natural gas (which purchased the Servel model and facilities and is adapting them to mass production) has met with a good industry reception and is thought to have excellent promotional possibilities.

The company's future expansion will probably follow a more normal rate of growth. President Wimberly has estimated that about $36 million may be spent for construction over the five years ending July 1962, which would be financed about as follows:

Debt	$10,000,000
Preferred Stock	3,000,000
Common Stock Options	2,000,000
Internal Cash	21,000,000

As of July 31, 1957, the common stock equity was only 13%. By 1962, it is expected that the $10 million convertible preference stock will have been converted into common shares, on the basis of 5.8 shares of common for each share of preferred. Including also sales of optioned stock and plowback of retained earnings, the equity ratio should improve to 30%, it is estimated.

Utility regulation in Texas is largely in the hands of the municipalities and is generally regarded as cooperative, encouraging utility growth on favorable financing terms. In recent years Houston Natural Gas has been earning a return of about 6-8% on its average net plant account and in the 12 months ended Jan. 31, the indicated return was 7.43%. It is conjectured that the company should be able to continue earning 7% to 7½% on this basis.

Dividend payout in the past has been on the conservative side, and this policy is expected to continue since the company has always endeavored to hold equity financing to a minimum by plowing back earnings.

At the recent over-counter price around 25½ and with an indicated current dividend rate of 80 cents on the split stock, the yield is 3.1%. The stock is selling at 13.7 times current estimated earnings of $1.87, or 16 times the adjusted earnings of $1.59 after allowance for future conversion of the large issue of 5¼% preference stock. The company has no immediate plans for listing its stock on the New York Stock Exchange although this step may be considered in the future.

Seeking a Wrong Answer

"We are witnessing, I believe, the last stages of the old, world-wide, self-regulating, international trading and investment system which we in America have largely taken for granted. At the same time, as it recedes, we see, expanding, eager to take its place, the new Communist techniques of grants, gifts, loans, trade, aid, barter, technical assistance, raw materials at cost, or plain dumping, all bent to a single political purpose — the reinforcement of Communist power.

Adlai Stevenson

"And to give this crisis its full dimensions, it is occurring just at a time when America's need for secure trade abroad and for steady access to foreign materials is growing in proportion to our soaring population and diminishing resources. Moreover, the change comes at a time when the emerging peoples of Asia, Africa, the Middle East and South America are demanding with more urgency than ever before a larger share in the world's wealth.

* * *

"I believe we should propose that a Committee of Experts be set up comparable to the group which laid the groundwork for the Marshall Plan in 1947. It should be their responsibility to prepare an agenda for the regeneration of the free world economy upon which the nations can agree and act—joint measures to secure sustained growth, joint negotiations for a low tariff or free trade area, joint undertaking of a long-term aid and investment program, and joint agreement on adequate working capital for world trade and convertibility."—Adlai E. Stevenson.

If the older system is really beyond recall, and if we are not to play sedulous ape to communism, then upon what basis should the experts build?

The world now seems to be operating within some sort of hybrid system which can hardly endure indefinitely.

It will not help to "pass the buck" to "experts." They would not be able to find a better basis than "the old, world-wide, self-regulating international trading and investment system" — which, as a matter of fact has often in the past been honored more in the breach than in the observance. Our first task seems to be to release ourselves from the strange notion that whatever was (in years past) was wrong.

Futures, Inc. Adds to Advisory Council

Alexander C. Muir, Manager of the Research & Statistical Department of B. W. Dyer & Co., Sugar Economists and Brokers, has been appointed a member of the Advisory Council of Futures, Inc., the commodity mutual fund.

In making the announcement Richard D. Donchian, President of Futures, Inc., stated that Mr. Muir will specialize in sugar for the Fund. Other members of the Futures, Inc. Advisory Council are Dr. Warren F. Hickernell, economist and financial consultant, and John M. Westcott, Manager, Research Department of Greene & Ladd, members New York Stock Exchange.

With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — John M. Smith is now with Central States Investment Co., Walpark Building.

First Boston Group Offers $50 Million Niagara Mohawk Bonds

An underwriting group headed by The First Boston Corp. is offering publicly today (June 12) a new issue of $50,000,000 general mortgage bonds, 3⅞% series due 1988, of Niagara Mohawk Power Corp. The bonds are priced at 101.335% and accrued interest to yield approximately 3.80% to maturity.

The underwriters bought the issue June 11 at competitive sale on a bid of 100.58999 for the indicated coupon.

Niagara Mohawk will use the net proceeds from this sale to finance in part the 1958 construction program. Last February the company received from the sale of preferred stock, about $24,000,000 which is also being applied to construction costs. The 1958 construction program is expected to require expenditures of about $102,000,000, and it is expected that a slightly smaller amount will be needed for such costs in 1959.

The new bonds, which are nonrefundable on or prior to June 1, 1963, are redeemable at general redemption prices ranging from 105.21% for those called in the 12 months ending May 31, 1963, to 100% after May 31, 1987; special redemption prices over the same period range from 101.34% to the principal amount.

Niagara Mohawk produces and distributes electric power and distributes natural gas in areas in western and central New York State. The company's electric service territory has a population of about 3,300,000 and about 1,500,000 are served with natural gas. About 80% of consolidated operating revenues is derived from the sale of electricity; the remainder from the sale of gas.

Total consolidated operating revenues of the company and subsidiaries amounted to $257,990,000 in the 12 months ended March 31, 1958, compared with $254,969,000 in the calendar year 1957 and $249,326,000 in 1956. Net income in the respective periods was $27,840,000; $26,430,000; and $28,397,000.

Capitalization of the company on Dec. 31 1957, adjusted to reflect the current sale of bonds and the sale in February of preferred stock, consisted of: $466,305,000 of long-term debt; $1,450,000 shares of $100 par value preferred stock, in six series; and 11,556,420 shares of common stock, no par value.

Elsin Electronics Corp. Common Stock Issue Offered to Investors

Lee Company, New York City, on June 12 offered 340,562 shares of Elsin Electronics Corp. common stock at 87½ cents per share.

Approximately $100,000 of the proceeds will be used to pay off obligations and to expand personnel and equipment. The balance of $145,000 will be added to working capital.

The company manufactures various components for microwave applications which are used in radar assemblies. It also produces test equipment and certain carbon products used in transistor and other semi-conductors.

Now With McKelvy

PITTSBURGH, Pa. — James H. Drass, Jr. is now with McKelvy & Company, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. He was formerly with the First Boston Corporation.

Continued from page 4

The State of Trade and Industry

inventories are still dropping and some users' stocks are scraping the bottom of the barrel.

Meanwhile, "The Iron Age" reported this week on a special study of the effect of automation on union membership. It noted that labor leaders are worried about the rapid growth of white collar workers in industry while the number of blue collar workers is virtually standing still.

"Top leaders know very well that labor is really losing ground if it marks time while the rest of the economy expands," "The Iron Age" commented. It observed that in 1950 organized labor represented 40% of the non-farm work force, while today it speaks for only about 30%.

The metalworking magazine stated that this is why unions are stepping up organizing drives among white collar workers. Within the next three weeks, it reported, the United Steelworkers will kick off a new drive to lure aluminum white collar workers into the union.

"We must get office and technical people into the union if we are to maintain our bargaining position," admits Howard Hague, Vice-President of the Steel union. The autoworkers' Leonard Woodcock has said much the same thing. Unions must attract white collar workers or lose power.

This trade paper noted that during the last ten years some ten million new workers poured into the labor force. But it added that most of the addition was outside of manufacturing, virtually all of it outside the production phase of manufacturing.

The Consumer instalment debt outstanding declined in April from the prior month by $123,000,000, after adjustment for seasonal factors, the Federal Reserve Board reported. A continued rise in the repayment of the old debt offset a slight gain in the new instalment debt during the month. Increases in credit for purchases of automobiles and personal loans accounted for most of the rise in new extensions of credit, it was further reported.

In the automotive industry expiration of union contracts at plants of General Motors, Chrysler and Ford failed to stymie automotive production the past week, "Ward's Automotive Reports" declared on Friday last.

The statistical publication added that programs a week ago called for an 11% jump in passenger car production to an estimated 74,022 units. In the week preceding, the Memorial Day holiday limited output to 66,574 automobiles.

The weekly production gain followed a month-end burst in auto buying which carried entire May new car sales 8.5% over April to a new monthly record for the year. "Ward's" counted May auto sales at 394,500 units compared with 363,700 in April and the previous peak of 380,000 set in January. In the period May 21-31 purchasing scored a 13% improvement over May 11-20 to record the best 10-day effort since December.

The May reduction in the new car inventory paralleled the 55,000-unit cutback in April, paring the count to an estimated 755,000, a 49 days' supply.

However, 14 of the industry's car assembly lines were halted all last week because of inventory adjustments. Included were six Ford Division plants, four Mercury factories, two Buick-Oldsmobile-Pontiac units, a Plymouth plant and Chrysler Division's Detroit works. Continuing on a six-day scheduling were American Motors and Lincoln, plus one Chevrolet plant.

Truck output last week was programmed at 16,647 units compared to the prior week's total of 15,038, "Ward's" further reported.

Steel Production This Week Estimated at 63.8% of Ingot Capacity

Responding to improved demand and hedging against a possible July 1 price increase, steel output last week inched up for the sixth straight week, "Steel" magazine stated on Monday last.

Steelmakers operated their furnaces at 60.5% of capacity, up 4 points from the previous week. Output was the highest for any week this year. About 1,630,101 net tons of steel for ingots and castings was produced. This reflects a better than 25% improvement since the low point of the year six weeks ago.

District production was spotty, ranging from 97% of capacity in St. Louis to 35.5% in Cleveland. District ingot rates in St. Louis were at 97%, up to 10 points over the previous week; Wheeling at 74, up to 0.5 point; Far West at 71, down 1 point; Chicago at 68.5, up 4.5 points; Birmingham at 67, up 0.5 point; Detroit at 65, up 7.5 points; Cincinnati at 61, down 2 points; Mid-Atlantic at 58, up 9 points; Pittsburgh at 57.5, up 2.5 points; Buffalo at 53.5, up 7 points; Youngstown at 49, up 4 points; New England at 40, no change and Cleveland at 35.5, up 0.5 point.

May's output of 6,350,000 tons surpassed April's by 800,000 tons. For the first time since last September, we had a month-to-month rise in the ingot rate. Furnaces were operated at 53% of capacity, compared with 47.8% in April.

Industry observers attribute higher production to the fact that consumers are buying to fill out impoverished stocks. Seasonal improvements in construction and farm buying are spurring demand for plates, structurals, reinforcing bars and wire products and that buyers are hedging against a price increase on July 1.

Continued and modest improvement through June is likely, but the outlook for operations after July is less certain, "Steel" observed.

At a time when all the talk is about prospects for higher prices, Granite City Steel Co. cut base prices on most of its products by $2 a net ton, f.o.b. Granite City, Ill. In effect, this reduced the company's geographical price differential from $4 to $2 a ton. The company made the move to discourage shipments into the St. Louis district by outside producers.

Prices of consumer durable goods will stay near present levels through 1958, this trade weekly declared. Mounting costs such as labor, materials, freight and taxes put pressure on makers to elevate quotations. But they are restrained by slow business, rugged competition, overcapacity and anticipated customer resistance.

Scrap prices advanced for the fifth consecutive week. "Steel's" scrap composite advanced to $36.17 a gross ton, up $1.67.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *107.3% of steel capacity for the week beginning June 9, 1958, equivalent to 1,723,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *104.9% of capacity, and 1,685,000 tons a week ago.

Output for the week beginning June 9, 1958 is equal to about 63.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 62.4% the week before.

For the like week a month ago the rate was *87.9% and production 1,412,000 tons. A year ago, the actual weekly production was placed at 2,214,000 tons, or 137.8%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Picked Up Ground in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 7, 1958, was estimated at 11,681,000,000 kwh., according to the Edison Electric Institute. Output gained ground the past week above that of the Memorial Holiday week.

For the week ended June 7, 1958, output increased by 526,000,000 kwh. above that of the previous week, and was 131,000,000 kwh. higher than that of the comparable 1957 week and by 730,000,000 kwh. above that of the week ended June 9, 1956.

Car Loadings Fell 7.2% Below Previous Week and 21.1% Below Like 1957 Period

Loadings of revenue freight for the week ended May 31, 1958, which included the Memorial Day holiday, were 41,123 cars or 7.2% below the preceding week.

Loadings for the week ended May 31, 1958, totaled 529,547 cars, a decrease of 141,498 cars or 21.1% below the corresponding 1957 week, and a decrease of 189,662 cars, or 26.4% below the corresponding week in 1956.

Automotive Output Advanced 11% in Post-Holiday Week

Automotive production for the week ended June 6, 1958, according to "Ward's Automotive Reports," rose by 11% following declines in the Memorial Day week occasioned by observance of the holiday and shutdowns for inventory adjustments.

Last week's car output totaled 74,022 units and compared with 66,574 (revised) in the previous week. The past week's production total of cars and trucks amounted to 90,669 units, or an increase of 9,057 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 7,448 units while truck output rose by 1,609 vehicles during the week. In the corresponding week last year 129,517 cars and 23,370 trucks were assembled.

Last week the agency reported there were 16,647 trucks made in the United States. This compared with 15,038 in the previous week and 23,370 a year ago.

Canadian output figures for last week were unavailable and will be given next week.

Lumber Shipments Rose 11.1% Above Output in the Holiday Week Ended May 31, 1958

Lumber shipments of 471 reporting mills in the week ended May 31, 1958, were 11.1% above production, according to the National Lumber Trade Barometer. In the same period new orders were 0.7% above production. Unfilled orders amounted to 35% of stocks. Production was 7.8% below; shipments 2.8% below and new orders were 17.1% below the previous week and 16.4% below the like week in 1957.

Business Failures Rose in Latest Week and Were Higher Than Like Period a Year Ago

Commercial and industrial failures rebounded to 325 in the week ended June 5, from the low of 278 in the preceding holiday week, Dun & Bradstreet, Inc., reported. Casualties were noticeably higher than a year ago when 289 occurred or in 1956 when there were 257 in the comparable week. Continuing above the pre-war level, business mortality exceeded by 16% the total of 279 in the similar week of 1939.

Casualties with liabilities of $5,000 or more climbed to 283 from 250 in the previous week and 251 last year. An increase also occurred among small failures with liabilities under $5,000, lifting their total to 42 from 28 a week ago and 38 in 1957. Forty of the failing concerns had liabilities in excess of $100,000 as against 19 in the preceding week.

All industry and trade groups suffered higher failures during the week except construction, where the toll dropped to 32 from 46. The week's sharpest increase appeared among manufacturers whose casualties climbed to 61 from 37. Meanwhile, retailing failures rose mildly to 169 from 145, wholesaling to 35 from 27 and commercial service to 28 from 23. More trade and manufacturing concerns succumbed than a year ago, but construction and service tolls fell below their 1957 levels.

Five geographic regions accounted for all of the week-to-week rise in failures. The Middle Atlantic States reported an upturn to 119 from 89 and the South Atlantic a jump to 35 from 18, while the Pacific total edged to 65 from 64. No change occurred in two regions, including the East North Central States which held at 51. The New England and West North Central States reported the only declines during the week. Trends from a year ago were mixed. Mortality ran above 1957 in five regions, whereas dips prevailed in four regions. There was a marked decline in the Pacific States, contrasting with considerable increases in both the Middle Atlantic and East North Central States.

Wholesale Food Price Index Eased Somewhat

There was a slight decline last week in the wholesale food price index, compiled by Dun & Bradstreet, Inc. On June 3 the index registered $6.60 for a decrease of 1.2% from the $6.68 of

the preceding week, but it exceeded the $6.20 of the corresponding date a year ago by 6.5%.

Higher in price were oats, bellies and lard. Lower in wholesale cost were flour, wheat, corn, rye, barley, beef, hams, butter, sugar, coffee, cocoa, eggs, potatoes, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Fractional Declines Last Week

There was a fractional decline in the general commodity price level last week. Price decreases in coffee, sugar and hogs offset increases in steers, lard and most grains. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., slipped to 280.75 on June 2 from 281.01 a week earlier, and was below the 286.59 of the corresponding date a year ago.

Reports of dry weather in growing areas stimulated the buying of oats and rye during the week and futures prices rose noticeably. Purchases of corn expanded, boosting futures prices moderately over those of the prior week. Commercial stocks of corn fell noticeably in Chicago and export buying picked up, especially from Spain.

Wheat prices advanced slightly following a moderate rise in trading. Buying slackened at the end of the week following reports that harvesting had just started in the Southwest. Wholesalers reported a fractional rise in soybean prices, but transactions remained close to those of a week earlier.

Flour buying was steady and prices were unchanged from the preceding week. Commercial sales of flour for export amounted to 55,300,000 bushels in grain equivalent so far this season, compared with 42,500,000 during the same period last season.

There was a moderate decline in sugar trading, prices falling somewhat. Sugar distribution during the week ended May 24 amounted to 159,762 short tons compared with 152,981 in the prior week and 175,326 a year ago. Purchases of coffee declined and prices dipped below those of the previous week. At the end of the week cocoa volume slipped and prices declined fractionally.

A slight decline in hog prices occurred in Chicago, causing transactions to slacken. Although hog receipts in Chicago fell from the prior week, they were sharply higher than in the similar week a year ago. While the buying of steers lagged, prices rose fractionally, reflecting the moderate decline in salable receipts. Turnover in lambs was sluggish and prices turned somewhat lower. There was another moderate rise in lard futures prices.

Cotton trading on the New York Cotton Exchange strengthened at the end of the week, inducing prices to rise moderately. Sales by the Commodity Credit Corporation for export amounted to 540,003 bales and total sales thus far this season totaled 759,508 bales. Total cotton exports in the week ended June 2 were estimated at 111,000 bales by the New York Cotton Exchange Service Bureau, compared with 116,000 in the previous week and 164,000 a year ago.

Trade Volume in Past Week Held Close to Level of Prior Week and Similar 1957 Period

Increased buying of men's and women's summer apparel during the week offset sluggish activity in household goods and resulted in total retail trade being close to that of both the prior week and the similar 1957 period. More sales promotions stimulated sales of new passenger cars, but volume was again considerably less than a year ago, according to scattered reports.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc., reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: West North Central, South Atlantic and East South Central States 0 to +4%; Middle Atlantic and Mountain —2 to +2; New England and West South Central —3 to +1 and East North Central and Pacific Coast States —4 to 0%.

Women shoppers were primarily interested in summer dresses and sportswear and moderate year-to-year gains prevailed. Volume in fashion accessories and girls' clothing was close to that of the comparable 1957 week. Men's stores reported appreciable gains in sales of sports jackets, slacks and lightweight suits.

Although the buying of summer outdoor furniture and case goods advanced during the week, declines in upholstered merchandise and bedding held total furniture sales somewhat below that of a year ago. There was a moderate pickup from the prior week in the call for television sets and radios, but interest in air conditioners, deep freeze units and refrigerators lagged again. Sales of linens, floor coverings and draperies fell slightly below a week earlier and last year.

Housewives stepped up their buying of picnic specialties, canned juices, frozen foods and baked goods the past week, while interest in poultry, some dairy products and fresh produce showed no improvement from the prior week.

In contrast to the national trend, sales of household goods surpassed those of a year ago in New York City and Boston. Retailers in Philadelphia and St. Louis reported a marked rise in volume of air conditioners from the previous week.

New styles introduced at numerous fall apparel openings stimulated wholesale buying of women's fall dresses, coats and suits. Volume matched that of a year ago, scattered reports show. Re-orders for women's summer sportswear and beachwear slackened. Although interest in men's summer clothing was sustained close to that of a week earlier, bookings were below those of last year. Initial orders for children's back-to-school merchandise failed to equal those of the similar 1957 period.

There was further improvement in textile trading last week. An upsurge in purchases of carpet wool occurred and transactions in woolens and worsteds expanded appreciably. Increased buying of print cloths, broadcloths and sheetings boosted over-all cotton gray goods volume noticeably over the prior week. New England dyers and finishers reported marked gains in incoming orders.

Re-orders for summer lawn tables and chairs and metal dinette sets climbed substantially the past week, while volume in upholstered furniture and case goods slightly exceeded that of a week earlier. Purchases of air conditioners, laundry equipment and refrigerators reflected little change, but interest in floor coverings and linens improved somewhat. Another increase prevailed in the buying of hardware, building materials and paint.

Retailers noticeably boosted their purchases of canned orange juice last week and volume sharply exceeded that of a year ago. While the call for fresh meat and dairy products equalled that of the prior week, volume in poultry was down somewhat. Interest in rice, coffee and baked goods was sustained at a high level.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 31, 1958, declined 1% below the like period last year. In the preceding week, May 24, 1958, an increase of 3% was reported. For the four weeks ended May 31, 1958, a decrease of 1% was reported. For the period Jan. 1, 1958 to May 31, 1958, a decrease of 2% was reported below that of 1957.

Retail trade sales volume in New York City last week was unchanged to 3% higher than the level one year ago, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 31, 1958 showed no change from that of the like period last year. In the preceding week, May 24, 1958, an increase of 4% was reported. For the four weeks ended May 31, 1958 a decline of 1% was reported. For the period Jan. 1, 1958 to May 31, 1958 no change was registered from that of the corresponding period in 1957.

Continued from first page

Should the Federal Reserve Buy Long-Term Securities?

but also slow up the responsiveness of Federal Reserve System decisions.

At the time that the current policy was adopted, it was criticized on the basis of a prevalent misconception that the Federal Reserve System influenced short-term interest rates primarily by buying or selling short-term U. S. securities, and similarly long-term interest rates by buying or selling long-term U. S. securities. The fact that interest rates on short and long-term securities tended in general to move together when only short-term securities were purchased or sold was ascribed to the magic of "arbitrage" and there were expressions of fear that if the System confined its operations to short-term securities arbitrage might not work in a recession crisis or might work so slowly as to leave us with a capital market position where high interest rates impeded the desire to borrow long-term capital funds.

The actual course of events since that time has shown that this relation of the System to the money and capital markets is not so simple as this implies. Long-term interest rates have been anything but lethargic, even though System open market operations have been confined almost wholly to bills. As a result, nobody any longer doubts, in the way they doubted in 1953, the System's ability to influence long-term interest rates decisively without direct intervention in the long-term market. In fact, in the most recent period, starting in mid-November, 1957, the System has been a factor in one of the sharpest breaks of interest rates, both long and short, on record. In this case, the initial drop in rates followed the lowering of discount rates without any marked change in either short or long-term holdings of U. S. securities in the System portfolio. It has been widely noted that the basic reason for this dramatic shift was a complete turnabout in market expectations as to the direction of monetary policy rather than an immediate increase in the basic supply of reserves available to the banks for investment.

In view of this record and these developments, it may be worth while to set down in detail (a) the various ways in which Federal Reserve System policy actions actually affect the availability of funds and market rates of interest; (b) the manner in which these actions permeate the various sectors of the money and capital markets; and (c) certain aspects of the organization of the long-term open capital markets that create dangers when expectations of lower or higher interest rates are not firmly based on actual changes in the supply of loanable funds relative to the demand. It may also be useful in this connection to review actual experience of recent years, i.e., to assess on the basis of empirical evidence developed from the behavior of the market, the relative importance of different System operations in affecting the cost and availability of funds. Such a background will provide perspective with which to judge the relevancy of the suggestion that the severity of the current recession might be mitigated by direct System intervention in the long-term market for U. S. securities.

Impact of System Open Market Operations on Availability of Capital and Credit and on Interest Rates

All policy actions of the Federal Reserve System exert an effect upon the capital and credit markets. It is not proposed, however, to analyze here the manner in which Federal Reserve discount policy operates. This has been covered in detail in the recently released Annual Report of the Federal Reserve Board for 1957. Nor will the effects on the money and capital markets of changes in the reserve requirements of member banks be reviewed in detail. Rather, the analysis will be focused on open market operations.

In this focus, Federal Reserve System operations in the government securities market can be said to exert three strikingly different types of influence on prices and yields of outstanding securities.

(1) Open market operations bring about a change in the volume of issues outstanding in the market that are available for trading and investment. Federal Reserve System purchases, for example, withdraw securities from the market. They tend, consequently, to raise the prices of those that remain. Conversely, Federal Reserve System sales of securities add to the total volume of investments for which purchasers must be found in the market. Such sales, consequently, tend to depress the prices at which securities can be marketed. The relationship is one to one, i.e., each dollar of securities bought or sold withdraws or adds a dollar of securities to those that are available in the market. These effects are registered most strongly on the particular issues that are bought or sold, but, as is noted later, the forces of substitution and arbitrage in the market or anticipations of such effects are such that they will also be reflected in some degree throughout all maturity sectors of the market.

(2) Federal Reserve System open market operations affect the prices and yields of U. S. Government securities because they change the volume of free reserves available to the member banks. System purchases of securities add to the volume of free reserves. Consequently, because we operate under a fractional reserve system, they add roughly between six or seven times as much to the total potential demand of the member banks for earning assets, including both loans and investments. Conversely, System sales of securities withdraw free reserves from the market, frequently causing member banks to borrow reserves through the System's discount window. Again, because we operate under a fractional reserve system, these sales decrease the potential demand of the member banks for earning assets, either loans or investments, by an amount equal to a multiple of the sales. In other words, the relationship of this type of impact is not one to one. The impact effect is a multiple of the dollars added to or subtracted from the reserve base. Since these impulses toward expansion or contraction arise from a change in the availability of reserves, their effects are not concentrated on the security that happened to be bought or sold by the Federal Reserve. They are directly dispersed, rather, over all types of assets commonly found in bank portfolios.

These effects, furthermore, take place when free reserves change, no matter what factor is responsible for the change. To be specific, they are the same irrespective of whether open market operations are conducted in the short-term money markets or in the long-term markets, they are the same irrespective of whether the responsible factor is a change in reserve requirements, a change in the demand for currency, or a purchase or sale of gold.

(3) Finally, System operations in U. S. securities markets affect prices and yields in the securities markets, particularly in the short run, according to the expectations to which they give rise, especially the expectations of dealers and market professionals. The System holds the largest portfolio of U. S. securities by far of any investment institution. It is not restricted in its operations by considerations of profit. When it enters the market, it always operates for a purpose and it has very great means at its disposal to accomplish its purposes, far greater means than are at the disposition of any individual operator in the market. Finally, it operates from the very center of the market with more complete knowledge by far than any other transactor of the total of investment and financial transactions currently taking place.

Under these circumstances, market transactors, particularly the market professionals including the dealers, go to great lengths to try to ascertain the significance of all System policy actions, but particularly the significance of operations in the security markets. As professional participants in the market, they are, of course, immediately aware of the occurrence of practically all such transactions. It is vital to them to assess correctly the potential impact of System operations and to govern their own operations accordingly. In deciding on their own operations, they will not be likely to try to "buck" any trend or level of rates they think the System is trying to establish. Rather, they will try to anticipate such trends, both by closing out positions they expect to become less profitable and by establishing or increasing positions they expect to be favored by the trend. As a consequence, relatively small operations by the System Account can have major

Continued on page 32

Continued from page 31

Should the Federal Reserve Buy Long-Term Securities?

short-run effects on market quotations when they give rise to firm expectations among market professionals with respect to the direction of System policy.

It is important to note, however, that these effects are essentially short-run effects. Market professionals, including dealers, do not originate savings or supplies of investable funds nor do they originate demands for investment. They are essentially middlemen located at the heart of the market, seeking to anticipate by their trading the prices (or yields) that will clear the market. Not infrequently, consequently, the dealers overshoot the market in trying to estimate the significance of System moves. They may assume that a given purchase or sale foreshadows larger changes, say, in the free reserve position than are actually in contemplation. In such cases, they may take positions and establish, for a period, a level of yields and prices that cannot be sustained because it is inconsistent with the actual supply-demand situation. The existence of this possibility is one of the reasons for the System's adoption of a policy of nonintervention in the intermediate and long-term sectors of the market. Operations in bills are much less subject to comment and possible misinterpretation than operations in longer securities. They are less likely, consequently, to give rise to false expectations.

Fluidity, Substitutability and Arbitrage

The central open money markets, particularly the market for U. S. securities, are characterized by a high degree of responsiveness as between the various sectors, in the sense that fluctuations of any magnitude in any one sector are likely to be paralleled by similar fluctuations in other sectors. This phenomenon is often loosely described as resulting from arbitrage. It is often said, for example, that movements of yields and prices originating in the most sensitive and liquid sector of the market, the bill market, are transmitted to other sectors of the market with or without a certain amount of delay through the operation of arbitrage.

This ascribes much too much importance to the transactions of the market professionals who engage in arbitrage. Much more important and basic to their operations as professionals is the high degree of actual substitutability that exists for many lenders and many borrowers in the credit and capital markets. For example, commercial banks operate actively and hold positions for their own account in all major areas and in all major maturity sectors of the money markets. They also finance importantly the operations of other transactors in those various areas and sectors.

In addition, managers of investment portfolios such as those of insurance companies and pension and trust funds, in seeking to maximize income, can operate with very great flexibility as between different categories of investments and, if it pays, between different maturity sectors. Among borrowers, also, there are many that can adopt a variety of financial plans to meet their financial needs. If they think the terms necessary to obtain more or less permanent funds will improve, they can postpone coming to the capital market and meet immediate needs by running down their liquidity or by borrowing at short term at banks.

Finance companies are more or less continuously borrowing extensive amounts in the long, the intermediate and the short-term markets. Within limits, at any one time, they are free to shift the major impact of their borrowing to those sectors where financial costs appear most reasonable. Public bodies and governments are typically present as heavy borrowers in all maturity sectors, both for new money and for refinancing. Because they enter the markets for large amounts, they are alert for signs of congestion as between the different maturity sectors and are careful to offer their issues in sectors which appear capable of readily absorbing the offering.

It is these factors of broad substitutability on both sides of the money and capital markets that account fundamentally for the homogeneity and responsiveness that is found there. They make possible the arbitrage operations of professional specialists. It is these professionals' operations, however, that account for the smoothness of the yield curve at any point of time.

With respect to this aspect of markets, therefore, we can make two relevant observations. (1) There is a considerable amount of interchangeability or substitutability on both the demand and the supply side of the organized money and capital markets that tends to generalize pressures or availabilities from any one sector to all sectors; (2) commercial banks are particularly important in this responsiveness because they operate, and also finance the operations of others, in all major sectors of the markets.

This casts a little different light on the generalization that changes in the tone or direction of the money markets are likely to appear first in the bill market and then to spread to the other sectors of the market. The generalization is true in the sense that it is usually easy to put money to work in the bill market and also to withdraw it at will without loss. It follows that any change in availability of funds is likely to be reflected immediately in the bill market.

It does not follow, however, that the fact that funds have been committed to bills when, say, free reserves are increasing, implies they are thereby rendered unavailable for investment in mortgages or long-term bonds. Rather, when banks have excess reserves, bank funds are available for lending or commitment in any area in which the bank choose to commit them, taking into consideration the relative return offered and with due regard to balance in the bank's portfolio. It is immaterial whether or not they have meanwhile been placed temporarily in bills.

The speed with which changes in the availabilty of reserves will be reflected in parallel changes in any individual sector of the market, such as the long-term sector, will depend basically (a) on the strength of demand in that sector relative to other sectors, (b) on the attractiveness of the yield offered in the light of the risk involved, and (c) on the liquidity position of the banking system, i.e., the size of its highly liquid asset holdings and the position of its loan deposit ratios. Ease in reserve positions will not quickly be reflected in an increase of commercial bank investments in the long-term capital market if the banks are worried about an insufficiency of short-term liquid assets or a high loan deposit ratio. Under these conditions, time is indispensable to allow the increased availability of reserves to build up bank liquidity through increases in bank holdings of liquid assets. Time is also indispensable to permit borrowers, such as finance companies, with access to the short-term open markets to use these markets to repay bank loans and thus bring about an improvement in the loan ratio.

Organization of the Long-Term Market

There is a third aspect of the money and capital markets that bears mention in this connection, namely, the much greater significance that attaches to any decision to borrow or lend when it is taken in the long-term market as compared with a decision covering an equal dollar amount when it is taken in the short-term market. This increased significance is, of course, a mathematical truism resulting purely and solely from the fact that the commitment undertaken runs longer in time and, therefore, commits both parties to its terms through a longer interval. This is one reason why shorter rates fluctuate so much more widely than long-term rates—less hangs on whether they do or not. It is also a reason why relatively small fluctuations in long-term interest rates carry implications and consequences out of all proportion to much larger fluctuations in short-term rates.

For example, it is generally realized that a fluctuation of, say, 1% in interest rates on one-year securities would normally be associated with a much smaller fluctuation in the interest yield on 30-year bonds. It is also generally realized that the relative change in capital values of the securities in the two maturity areas would be reversed, i.e., that the market price of the 30-year bonds would swing over a wider range than the market price of the one-year notes. It is less generally recognized, however, just how large this swing is. Actually, in the period between the wars, the swing over the credit cycle in prices of triple A corporate bonds of 30-year maturity appears to have averaged nearly seven times larger than the corresponding fluctuation in prices of one-year securities.

These differences are reflected in the manner in which approaches are made to the two markets. In general, approaches to the long-term markets are carefully timed, with an eye among other things to avoiding congestion. Investment bankers bringing out new long-term bond issues will try to schedule them, if at all feasible, to be offered on a day when the calendar is not clogged with competing issues. To the extent that long-term borrowing is postponable this has the effect, in a sense, of rationing or tailoring demands for long-term borrowing to the supply of funds currently available in the market. It acts to minimize short-run variations in prices and yields in the capital markets by limiting the amounts of long-term funds sought to the supply of funds available at prevailing yields.

This characteristic of the organization of the long-term markets can be troublesome. If professionals in the market misjudge the magnitude of shifts in the supply of or demand for investment funds, there may be a delay in the response of interest rates as quoted in the market until the volume of prospective issues on the calendar clearly indicates the true nature of the basic supply-demand position.

Empirical Verification

Actual market behavior is compounded of almost innumerable strands, so much so that it is difficult to muster direct empirical proof of these specific propositions. Nevertheless many of them can be subjected to a considerable degree of factual verification.

(a) If substitutability as between different maturity sectors of the market is characteristic of the behavior of important elements on both the demand and supply sides of the market, one would expect the market in general to move as a whole, i.e., one would expect that the broad movements in the amounts of funds loaned in the long, intermediate and short areas would usually be in the same direction, and that the broad movements of interest rates in the various maturity sectors would also be in the same direction. One would expect that divergent movements as between maturity sectors would be less frequent in occurrence and of shorter duration when they occurred. This is completely in accord with observed market behaviour.

(b) If the effect of arbitrage and dealer portfolio activity is primarily to establish prices and yields that will clear bids and offers in the different maturity sectors of the market, it would be expected that yield curves would be continuous rather than discontinuous as between the various sectors. This expectation also accords with the empirical evidence. Professional activity, including arbitrage, results generally in a smooth and consistent yield curve, particularly in the U. S. Government securities market. This curve, however, changes its shape from time to time, reflecting the presence of differential supply-demand pressures in various sectors of the market. In other words, substitution and professional activity have the effect of linking the various maturities sectors into an organic whole but not of obliterating completely differential pressures as between them.

(c) If commercial banks with their ability to create money are fundamentally important factors in the supply of funds for investment, interest rates would be expected to be highly responsive to changes in the reserve position of the commercial banks. This proposition is in accord with empirical evidence.

(d) In current market reporting, discussion and analysis is confined preponderantly to noting changes in the demand for and supply of investments in the various individual markets for bills, certificates, U. S. bonds, municipal bonds, mortgages, etc., and day-to-day developments are analyzed in terms of these changes in demand for and supply of specific categories of issues. Yet, if the abstract propositions set forth in the above analysis are correct, a change in the aggregate volume of free reserves available to the banking system would be expected to have much more effect upon the availability of funds and, consequently, upon interest rates in all the various maturity sectors of the market than would be expected to result from an equal dollar change in the volume of securities carried in the market. This would be expected because the former impact is a multiple one whereas the latter reflects a one for one relationship. In a rough general sense, the relative impact on interest rates or security yields of these two factors should be proportional to the reserve ratio of the commercial banking system.

For example, if the Federal Reserve System buys or sells a given dollar amount of bills at a time when effective required reserves average one-seventh of demand deposits, something like seven-eighths of any resulting effect on market yields should reflect the change in the volume of free reserves available to the banks and only one-eighth the fact that the operation was executed in bills and therefore also changed the volume of bills available for investment in the market. The same principles would apply if the open market operations were executed in the long end of the market.

It is impossible to obtain direct empirical verification of the operation of these principles from a study of the response of the market to given open market operations, since such operations exert various types of influence simultaneously. On the one hand, they add to or subtract from the volume of free reserves available to the commercial banks. At the same time, however, they add to or subtract from the volume of securities to be carried in some particular sector of the market. In addition, as was noted earlier, the fact that the Federal Reserve System has entered the market may give rise to expectations which will be reflected in quotations in the securities market. At times these quotations may reflect professional expectations fully as much or more than they do changes either in the reserve position of the banks or in the amount of market-held securities in the various maturity sectors. This would become progressively more important if open market operations were conducted in the intermediate or long sectors of the market. It is most nearly negligible when open market operations are confined to the bill market. In any case, however, it is impossible, by studying open market operations alone, to disentangle these three effects.

There are other ways, however, of developing empirical data that are both comparable and valid. For example, if, as abstract reasoning would suggest, something like seven-eighths of the response of the money market at any one time to an open market operation, in terms of availability of funds, represents the effect of that operation on the reserve position of the banks, while only one-eighth reflects the fact that bills were simultaneously put into or withdrawn from the market, it follows that changes in the general availability of funds and in interest rates should be roughly the same, or within seven-eighths of the same for various occasions when there were comparable changes in the level of free reserves. This should be true regardless of the course of the change in the level of free reserves — for example, whether it was brought about by open market operations, which simultaneously change the volume of securities to be carried in the market or by changes in reserve requirements which have no effect whatever on the volume of securities to be carried in the market. This comparison offers a truly objective empirical test of the validity of the principles under examination.

The System has now changed reserve requirements on five separate occasions since the accord. On each occasion, changes in the availability of funds and in interest rates have reacted to the resulting free reserve position. That reaction, furthermore, has been roughly similar, certainly within seven-eighths of what would have been expected if the same free reserve position had been achieved through open market operations. This body of empirical evidence, consequently, also strongly supports the conclusion that would be suggested by more abstract analysis.

There is still another source of empirical data that may throw light on this problem, a source of data moreover that is completely free from any complications arising from changes in market expectations such as are frequently induced by policy actions on the part of the Federal Reserve System. It arises in connection with Treasury refinancing operations. The Treasury recurrently undertakes to refinance its huge outstanding debt as various issues mature. Each year more than $20 billion of market-help certificates, notes, and bonds are thus refinanced by exchange for new issues. Frequently intermediate

securities, and sometimes long securities, have been included in the offers for exchange. Such occasions, consequently, furnish a prime opportunity to develop empirical data with respect to the effects on the availability of funds and on interest rates of changes in the maturity composition of market-held debt.

In the big refinancing of early 1958, for example, nearly $10 billion of market-held debt was refinanced, more than one-third into the 3s of 1969 and more than one-sixth into the 3½s of 1990. This refinancing, in the course of a very few days, effected a huge redistribution in the market supply of investments as between the short, the intermediate, and the long maturity sectors. More than $3½ billion of securities were shifted out of the very short to the intermediate sectors and more than $1½ billion additional issues were shifted from the very short to the very long maturity sector. This shift in the distribution of securities as between the various sectors of the market was exactly analogous to the shift that would have been induced had the Federal Reserve System Open Market Account undertaken a huge swapping operation in which it purchased some $5 billion of certificates in the market and simultaneously sold some $3½ billion of issues maturing in 1969, and in addition some $1½ billion of issues maturing in 1990.

As already noted, the effects of such a huge swapping operation, had it been undertaken by the System, would have given rise to market expectations that would have affected quotations independently from any effects arising out of changes in the volume of securities outstanding in the different maturity sectors of the market. A study of the reaction of the market to such refinancing operations of the Treasury, consequently, provides concrete empirical evidence on two problems.

First, what is the nature of the market response to additions to or subtractions from market - held debt and how much of the impact of such changes is modiifed or absorbed by the high degree of fluidity and substitutability as between the various maturity sectors that pervade both sides of the market?

Second, how large would direct operations by the Federal Reserve System in long-term U. S. securities have to be to exert a significant influence on the availability of long-term funds for investment, other than any impacts that might result from changes in market expectations?

The answer to these two questions, as provided by the response to the Treasury refinancing, earlier in the year, is that substitutability is a very important market phenomenon, sufficiently important to mitigate appreciably the effects of very large shifts in the volume of securities outstanding as between the various maturity sectors of the market. In this case, for example, bill rates, which had been dropping for some time previous to the refinancing, dropped appreciably further as the volume of short instruments available for investment was diminished by over $5 billion. They did not, however, drop to levels that usually prevail when free reserves are above $500 million. Long-term bond yields concurrently, which had also been dropping rapidly, leveled off as these large volumes of additional securities were absorbed in the intermediate and long sectors of the market. There was, however no sharp reaction upward. Concurrently with these reactions, the capital markets continued to absorb new issues in record volume.

Now, these responses were certainly tangible and definite, as would be expected on abstract grounds. At the same time, considering the huge amounts of securities involved, the effects both on interest rates and on the volume of new securities absorbed were distinctly limited. They suggest that the Federal Reserve System would have to undertake very large swapping operations indeed if it wished to use this device to affect appreciably the availability of funds in specific maturity sectors of the market. This evidence also overwhelmingly verifies the proposition that Federal Reserve operations in the open market achieve their important responses primarily through their effects on the reserve positions of the commercial banks.

Recapitulation

The foregoing analysis indicates the nature of the problems that would be raised should the System intervene directly in the market for long-term government securities. To recapitulate:

(a) System actions affect quoted interest rates in two major ways: (1) by altering the supply of funds relative to demand available in the credit and capital markets; (2) by inducing a shift in expectations among market professionals.

(b) System actions influence the supply of investment funds relative to demand, in two ways, either by changing the volume of reserves available to the commercial banks for loans or investments, or by changing the volume of securities in the market available for investment. As between these two, the effects of the former are all important as compared with the latter. Under present reserve requirements, abstract reasoning would lead one to expect that something like seven-eighths of the interest rate response to any given open market operation would reflect the effect of that operation on the free reserve position of the banks and only one-eighth would reflect the fact that the open market operations had the additional effect of changing the volume of market-held debt. These general theoretical expectations are in accord with the empirical developments.

(c) The major fundamental effect of direct operations in long-term securities would reflect the fact not that long-term securities were purchased but that reserves were supplied or withdrawn. This same effect would result from operations in bills.

(d) The money and capital markets are so organized as to permit interest rates, particularly long-term rates, to persist for a time at lower levels than would be justified by the volume of funds available for investment. In this interval, the volume of capital offerings coming to the market tends to be rationed to the level of market demand. The shift in expectations induced by direct System operations in long-term securities are apt to be reflected in changes in interest rate quotations that are out of all proportion to the changes justified by the volume of reserves absorbed or released. These rates would not reflect the true supply-demand position in the market and in a situation like the present would lead to congestion.

Conclusion

The 1953 decision of the Federal Open Market Committee to confine open market operations to short-term securities was governed primarily by the desire to minimize any disturbance to the functioning of the government securities market that might result from its own operations. Since the bill market was very much broader than any other sector of the market, it was clear that the possibility of such disturbances could be held to a minimum to the extent System operations were confined to bills. While these Committee decisions were made for operating reasons, they were taken in full confidence that operations confined to bills would improve and not impair the market effectiveness of Federal Reserve System policy actions. This confidence has been justified by the record. Experience has proved the wisdom of operations designed to affect credit and capital market conditions primarily through effecting changes in the volume of bank reserves.

The great danger of direct System intervention in the long-term securities markets at the present time is that the effect on interest rates, arising out of a shift in market expectations, would probably be disproportionate to any changes simultaneously induced in the actual supply-demand position of the capital markets. The existence of such disproportion, furthermore, would not be readily or immediately apparent and might not be quickly corrected. For a time, the flow of securities offered in the investment markets would tend to be rationed to the absorptive capacity of the market. This might well lead to an erroneous reading of the economic situation. The failure of offerings to grow in spite of sharply lower interest rates would require explanation.

Such lethargy in the capital markets, for example, might be ascribed not to a deficiency of reserves in the commercial banks but to an absence of creditworthy borrowers or to let-down in the spirit of business enterprise, or to a cautious spirit among entrepreneurs. This would create great difficulty for System policy formation. To the extent that long-term interest rates become dominated by expectations of the future course of System policy actions, rather than by the current supply-demand position, the System is deprived of the most important market indicator of the adequacy of its operations.

Another resort to the record may help to clarify this point. The suggestion earlier in 1958 that the System engage in direct intervention in the long-term market was motivated mainly by a desire to help clear up a certain amount of congestion that had developed in the long-term capital market. At that time, offerings of new issues had been exceptionally large and unsold issues, particularly state and municipal issues, were at high levels. Actually, instead of intervening directly in the long-term market, the System helped clear up the situation by lowering discount rates and cutting reserve requirements. This poses the question of which was the preferred approach to the problem.

Had the System directly intervened at that time to purchase long-term bonds, strong expectations of further reductions in bond yields would certainly have been roused. The chances are that the yields of long-term bonds would have dropped sharply on the appearance of a relatively small volume of System purchases in the long-term market. Little actually would have been done, however, to increase the absorptive capacity of the market. Now, those lower long-term yields might well have acted to induce an increase in the desire of entrepreneurs and others to borrow long-term funds. Such increased borrowing, however, would have had to be held off the market because not enough reserves had been added to increase appreciably the volume of funds available for investment. Had this happened, the existing congestion of unsold issues in the long-term market would have been increased, not diminished, by direct intervention.

The decision to lower both reserve requirements and discount rates, on the other hand, tended to clear up the congestion and at the same time to promote increased borrowing because it put its primary emphasis on an increase in the supply of reserves available to the banks. This increased by a multiple the potential supply of bank funds available for market investment, and the resulting pressure on the supply position of the banks led, first, to a clearing up of the congestion and, subsequently, to lower interest rates.

In summary, the System brings aid to the economy in a time of recession primarily by increasing actual flows of loanable funds and thus helping to finance active demands in the market for men and materials. We must never forget that this is the ultimate aim of our monetary policy rather than the achievement, say, of a predetermined level of long-term interest rates. In other words, the achievement of lower interest rates in these circumstances represent a means to an end, not an end in itself. The effective monetary stimulant to the economy in times of recession is always an increase in the availability of reserves to the member banks. Such reserves increase by a multiple factor the supply of funds that are competing for existing loans and investments and also help to create a financial environment in which additional creditworthy enterprises are tempted to borrow.

The really difficult problem for the System always, both in periods of recession and periods of boom, is to determine as closely as practicable the volume of reserves that are most appropriate to the economic climate. Data covering the behaviour of free market interest rates, particularly long-term rates, read against the background of data covering the volume of bank credit and of new offerings in the capital markets, furnish a most valuable guide to such determination. This is another reason, and a very important one, for abjuring direct intervention by the System in the long end of the market. It is important to preserve the trustworthiness of that guide.

Continued from page 6

Nuclear Power Plants: Today and Tomorrow

spend another $5,000,000 on research and development. Further research will be conducted by the Atomic Energy Commission in support of the project. The Commission work, estimated to cost $4,450,000 will be performed in their laboratories.

Development Problems

Development problems confronting engineers responsible for the design of nuclear power plants are often very numerous and complex. Solutions to these problems are found only after extensive research programs have been undertaken and many times this research requires elaborate, costly laboratory facilities. Designing nuclear fuel elements is an example of this type of development problem. Uranium must be alloyed with special metals to provide strength and stability when under irradiation. Usually a protective coating or cladding is required to eliminate or reduce corrosion. Proof testing of fuel must then be accomplished first by irradiation in test reactors and then by analysis in hot caves. Other developmental problems confronting the designers of nuclear plants include (a) the reduction of uranium flouride gas to metal, (b) reprocessing of irradiated fuel to separate the wastes from the reusable fissionable materials and (c) disposal or use of radioactive wastes. Many other problems could be listed.

A review of the list of PRDC supporting companies discloses that electric systems located many miles from the plant site are actively interested in the project. There is a common desire to assist in the development of the peaceful atom and to learn what type of plant should be considered for system additions planned for 1965-1970. While PRDC makes its knowledge available to anyone who may properly request it, the participating companies receive important technical "know-how," have an opportunity to assign engineers to the design group and to the plant for training, and become acquainted with the administrative considerations involved in designing and operating a nuclear plant today.

This desire to learn from participating and doing has been evident in our relations with equipment manufacturers, research organizations and financial institutions. Because of the unique conditions under which many of our plant components suppliers are called upon to do considerably more engineering work than usual. This extra effort gives these manufacturers important experience which should serve them well as this new industry develops. The same is true, but to a lesser extent in the case of those who are participating in the financing of the project.

PRDC has entered into a loan agreement to borrow a total of $15,000,000 from certain banking institutions during 1957 and 1958 at an annual interest rate of 4.35%. Of this amount $9,750,000 has been taken-down. The loan has been guaranteed by 13 of the participating companies and is to be repaid over a seven-year period commencing in 1964. Representatives from these banks will learn, in a general way, about the design and construction of a large reactor plant and will have a clear insight into the economic considerations once the plant is in operation.

By 1960-1962 numerous large nuclear power plants will be in service in the United States adding to our knowledge in this new field. These plants, of different types and designs, will serve to keep this country ahead in the development of the peaceful atom.

Chicago Analysts Elect Officers

C. E. Torrey, Jr.

CHICAGO, Ill. — Clarence E. Torrey, Jr., Vice-President of A. G. Becker & Co., Inc., was elected President of The Investment Analysts Society of Chicago for the 1958-59 year at the annual meeting. Neil E. Heikes, Commonwealth Edison Co., was elected Vice-President and Program Chairman; William A. Stenson, The Northern Trust Co., Treasurer; and James C. Bard of The Miami Corp., Secretary.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—David T. Murphy is now associated with Kidder, Peabody & Co., 33 South Clarke Street. He was formerly with Glore, Forgan & Co. and Continental Illinois National Bank & Trust Company.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Abbott Laboratories, North Chicago, Ill.
June 10 filed 800 participations in the company's Stock Retirement Plan for employees of the company and its subsidiaries, together with 30,000 shares of common stock (par $5) which may be acquired pursuant thereto.

★ Air Craft Marine Engineering Corp.
May 28 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For operating expenses for one year; manufacturing expenses; expenses for materials and retirement of loans and balance for general fund of the company. **Office**—15759 Strathern St., Van Nuys, Calif. **Underwriter**—None.

● Albermarle Paper Manufacturing Co., Richmond, Va. (6/24)
June 3 filed $3,500,000 of 5½% convertible subordinated debentures due 1978 to be offered for subscription by holders of the company's class A and class B common stock at the rate of $100 of debentures for each 20 shares of class A or class B common held of record June 20, 1958. **Price**—To be supplied by amendment. In addition to the debenture offering, Albemarle Paper and two of its subsidiaries, Halifax Paper Co., Inc., and Seaboard Mfg. Co., have agreed to sell privately to two insurance companies $10,500,000 of new first mortgage refunding bonds. **Proceeds**—To be used in part for refunding of debt and payment of bank loan, and in part for new productive facilities. **Underwriter** — Scott & Stringfellow, Richmond, Va.

★ Allied Laboratories, Inc.
June 6 filed 65,000 shares of common stock to be offered in exchange for all the outstanding shares of common stock of Campana Sales Co.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Durox Corp., Englewood, Colo.
May 1 filed 2,500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of new plant and establishment of the business at Tampa, Fla., including payment of the balance due on a plant site. **Underwriter**—I. A. I. Securities Corp., 3385 S. Bannock Street, Englewood, Colo.

★ American Heritage Life Insurance Co., Jacksonville, Fla. (6/24)
June 5 filed 941,564 shares of common stock (par $1) to be offered for subscription by common stockholders of record June 24, 1958, at the rate of one additional share for each one and one-half shares then held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, New York, and Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

★ American Houses, Inc.
June 3 (letter of notification) 27,575 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To improve the company's net current asset position. **Office**—South Aubrey & East South Streets, Allentown, Pa. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ Arden Farms Co., Los Angeles, Calif.
June 4 filed $3,000,000 of 5% subordinated debentures, second series, due July 1, 1986 (convertible until July 1, 1968), together with 172,162 shares of the company's common stock (par $1) to be offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on the effective date of this registration statement. **Price**—To be supplied by amendment. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000.

Arizona Public Service Co. (6/18)
May 28 filed 240,000 shares of cumulative preferred stock, series A (par $50). **Price** — To be supplied by amendment. **Proceeds**—For construction purposes and for payment of loans incurred for construction. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

Arkansas Western Gas Co.
May 5 filed 55,774 shares of common stock (par $5) to be offered for subscription by stockholders of record May 28, 1958, at the rate of one additional share for each 10 shares then held; rights to expire on June 17 (with an oversubscription privilege). **Price**—$15 per share. **Proceeds**—For property additions and improvements. **Office**—Fayetteville, Ark. **Underwriter**—None.

Asotin Telephone Co., Asotin, Wash.
May 20 (letter of notification) 500 shares of 5½% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For construction of lines and increase of plant necessary to extend the service. **Underwriter**—None.

★ Atlanta Gas Light Co. (6/27)
June 5 filed 121,317 shares of common stock (par $10) for subscription by the holders of the company's outstanding common stock on the basis of one new share for each eight shares held of record June 26, 1958; rights to expire on July 11. **Price**—To be supplied by amendment. **Underwriter** — First Boston Corp., New York, Courts & Co. and Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (7/14)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

● Billups Eastern Petroleum Co. (6/25)
May 29 filed $2,500,000 of 7% debentures due July 1, 1993, and 650,000 shares of common stock (par $1) to be offered for sale in units, each consisting of $1,000 of debentures and 20 common shares. **Price** — $1,000 per unit. **Proceeds**—To acquire all of the assets of Orlando Fuel Oil Co., Inc., Florida Service Corp., Billups Petroleum Co. of Georgia, Inc., Billups Petroleum Co. of N. C., Inc., Billups Petroleum Co. of S. C., Inc., Florida Friend Oil Co., Inc., and Your Friend Oil Co., Inc. **Office**—Jacksonville, Fla. **Underwriter** — The Johnson, Lane, Space Corp., Augusta, Ga.

Blake & Neal Finance Co.
May 26 (letter of notification) $300,000 principal amount of 6% promissory notes in denominations of $500 each and multiples thereof. **Price** — At par. **Proceeds** — For working capital. **Office**—1939 E. Burnside St., Portland, Ore. **Underwriter**—None.

● Bonanza Air Lines, Inc., Las Vegas, Nev. (6/18)
May 29 filed 470,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—Together with proposed borrowings, for repayment of loans, for working capital, and other corporate purposes. **Underwriter**—William R. Staats & Co., Los Angeles, Cal.

Brockton Edison Co.
May 20 (letter of notification) 538 shares of common stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one new share for each 12 shares of common stock outstanding. Rights expire June 24, 1958. (Total offering 21,664 shares and Eastern Utilities Association, a single majority holder, will purchase unsubscribed shares as well as its prorata allotment). **Price**—$65 per share. **Proceeds**—For payment of notes to banks. **Underwriter**—None.

★ Budget Finance Plan, Los Angeles, Calif.
June 10 filed $1,320,000 of 6% serial preferred shares. **Price**—At par ($10 per share). **Underwriter**—Shearson, Hammill & Co., New York.

Builders Loans Inc.
March 27 (letter of notification) 40,000 shares of 17½c preferred stock (par $1). **Price**—$2.50 per share. **Proceeds** — To selling stockholder. **Office** — Los Angeles, Calif. **Underwriter**—Daniel D. Weston & Co., Inc., Beverly Hills, Calif.

★ Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

● Canada Southern Petroleum Ltd. (6/17)
May 21 filed voting trust certificates for 400,000 shares of capital stock (par $1—Canadian). **Price**—To be related to the current market prices or quotations on the American Stock Exchange immediately prior to such offering. **Proceeds** — For general corporate purposes. **Office** — Calgary, Alta., Canada. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

Central Cooperatives, Inc.
May 26 (letter of notification) $250,000 promissory notes consisting of 4% 6-year notes and $150,000 of 5% 9-year notes. **Price**—At par (in multiples of $100). **Proceeds**—To retire notes and for working capital. **Office** — 1901 Winter St., Superior, Wis. **Underwriter**—None.

Central Illinois Light Co. (6/24)
May 28 filed $12,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 24 at 300 Park Ave., New York, N. Y.

● Chesapeake Instrument Corp. (6/17)
April 30 (letter of notification) $275,000 of 5% 10-year convertible debentures to be offered for subscription by stockholders on the basis of $100 of debentures for each 40 shares of common stock held. **Price**—At par. **Proceeds**—To repay bank loans, for addition to plant and for working capital. **Underwriter**—Drexel & Co., Philadelphia, Pa.

● Chesapeake Utilities Corp. (6/17)
May 26 filed $700,000 of 6% debentures due 1983 and 114,030 shares of common stock (par $2.50), the debentures and 42,000 shares of stock to be offered in units consisting of a $100 debenture and six shares of stock; the remaining 72,030 shares to be offered separately. **Price**—$130 per unit; and $6 per share. **Proceeds**—To purchase from Eastern Shore Natural Gas Co., a subsidiary, its $350,000 of 25-year 6% convertible subordinated notes, $245,000 of its 25-year subordinated notes, and additional shares (unspecified) of its common stock, at an aggregate price of $1,215,000 plus interest, if any, on the notes. **Underwriter**—Harrison & Co., Philadelphia, Pa.

★ Colt Park Associates, New York
June 4 filed $1,080,000 of Limited Partnership Participations in the company. **Price** — At par ($5,000 per unit). **Proceeds**—For purchase of land and the balance to be added to working capital. **Underwriter**—None.

★ Columbia Gas System, Inc., N. Y.
June 6 filed $7,078,125 of participations in the company's Employees' Thrift Plan, together with 375,000 shares of common stock which may be acquired pursuant thereto.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Community Public Service Co. (6/17)
May 15 filed $3,000,000 sinking fund debentures due June 1, 1978. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 17 at 90 Broad Street, New York, N. Y.

● Continental Air Lines, Inc. (6/18-19)
May 26 filed $12,000,000 of convertible subordinated debentures due June 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To finance expanded operations resulting from additional routes and services, and up to $1,750,000 will be used to repay short-term indebtedness due on or before Aug. 15, 1958 to Vickers-Armstrongs (Aircraft) Ltd. **Underwriter** — Lehman Brothers, New York.

Cosmos Industries, Inc. (6/25)
April 16 filed 280,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay bank loans and for working capital and other corporate purposes. **Underwriter**—Netherlands Securities Co., Inc., 30 Broad St., New York.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

★ Davis Brothers, Inc.
June 5 (letter of notification) 1,400 shares of $6 cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—501 West 44th Ave., Denver, Colo. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Dayton Aviation Radio & Equipment Corp. (7/1)
May 28 filed 500,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — McDonald, Holman & Co., New York.

★ **DeKalb-Ogle Telephone Co.**
May 29 (letter of notification) 22,024 shares of common stock to be offered to stockholders of record June 16, 1958 on the basis of one share for each eight shares now held. Rights expire July 16, 1958. **Price**—At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Delaware Power & Light Co. (6/17)
May 21 filed $25,000,000 of first mortgage and collateral trust bonds due 1988. **Proceeds**—To refund $15,000,000 of 5% bonds due 1987 and to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly). **Bids** — To be received up to 11:30 a.m. (EDT) on June 17 at 600 Market St., Wilmington 99, Del.

Denver Acceptance Corp., Denver, Colo.
May 19 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To engage, through one or more subsidiary companies to be formed or acquired, in the business of writing life insurance and annuity policies. **Underwriter**—DAC Securities Corp., Denver, Colo.

★ **Derson Mines Ltd.**
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

● **Dewey Portland Cement Co. (6/25)**
May 29 filed 79,000 outstanding shares of the company's class A non-voting common stock (par $7.50). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

★ **Dieterich Field, Inc.**
June 2 (letter of notification) 500 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—923 Farnam St., Omaha, Neb. **Underwriter**—None.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held **Price**—To be supplied by amendment. **Proceeds—For** expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. **Other financing may be arranged.**

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) being offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common. No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obligated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. The offer will expire on June 17, unless extended. **Underwriter**—None.

Elsin Electronics Corp. (6/12)
May 1 (letter of notification) 265,266 shares of common stock (par two cents). **Price**—$1.12½ per share. **Proceeds**—To repay bank loan; to purchase new equipment and for working capital. **Office**—617-33 Brooklyn Ave., Brooklyn 3, N. Y. **Underwriter**—Lee Co., New York, N. Y.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

★ **Evergreen Gas & Oil Co.**
June 2 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For working capital. **Office**—E. 12707 Valleyway, Opportunity, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

★ **European Coal & Steel Community (High Authority of) (6/25)**
June 5 filed $25,000,000 secured bonds due July 1, 1978 and $15,000,000 serial secured notes maturing July 1, 1961-1963. **Price**—To be supplied by amendment. **Proceeds**—For iron and coal loans. **Underwriter**—First Boston Corp., Kuhn, Loeb & Co., and Lazard Freres & Co., all of New York. **Offering**—Expected June 25.

Fall River Electric Light Co. (6/18)
May 16 filed $3,000,000 of first mortgage and collateral trust bonds due April 1, 1988. **Proceeds**—Together with other funds, to purchase at par $1,110,000 of debenture bonds and $950,000 par value of common stock of Montaup Electric Co., and to repay $2,050,000 of short-term bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 18.

Fall River Electric Light Co.
May 20 (letter of notification) 411 shares of capital stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one share for each 12 shares outstanding. Rights expire June 24, 1958. Total offering 18,771 shares of which 18,360 shares being subscribed by Eastern Utilities Association, the single majority holder and also will purchase unsubscribed shares.) **Price**—$48 per share. **Proceeds**—To make partial payment of notes to banks. **Office**—85 North Main St., Fall River, Mass. **Underwriter**—None.

Famous Virginia Foods Corp.
Jan. 30 (letter of notification) 19,500 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 50 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

Fidelity Bankers Life Insurance Corp.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Office**—Richmond, Va. **Underwriter**—None.

Florida Power Corp. (7/1)
May 29 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To pay off temporary bank loans of $16,000,000 incurred to meet costs of the company's construction program and the balance will be applied to the 1958 construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on July 1.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President

● **Forest Laboratories, Inc.**
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales pro-

Continued on page 36

NEW ISSUE CALENDAR

June 12 (Thursday)

Elsin Electronics Corp. .... **Common**
(Lee Co.) $298,424

June 16 (Monday)

New England Telephone & Telegraph Co. .... **Com.**
(Offering to stockholders—no underwriter) 735,245 shares

Northern Indiana Public Service Co. .... **Common**
(Dean Witter & Co., Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Smith) 374,500 shares

Northern Virginia Doctors Hospital Corp. .... **Common**
(Whitney & Co.) $300,000

Oklahoma Gas & Electric Co. .... **Bonds**
(Bids 11 a.m. EDT) $15,000,000

June 17 (Tuesday)

Canada Southern Petroleum Ltd. .... **Common**
(Paine, Webber, Jackson & Curtis) 400,000 shares

Chesapeake Instrument Corp. .... **Debentures**
(Offering to stockholders—underwritten by Drexel & Co.) $275,000

Chesapeake Utilities Corp. .... **Com. & Debs.**
(Harrison & Co.)

Community Public Service Co. .... **Debentures**
(Bids 11 a.m. EDT) $3,000,000

Delaware Power & Light Co. .... **Bonds**
(Bids 11:30 a.m. EDT) $25,000,000

Rhodesia and Nyasaland (Federation of) .... **Bonds**
(Dillon, Read & Co. Inc.) $10,000,000

Walnut Grove Products Co., Inc. .... **Debentures**
(First Trust Co. of Lincoln, Neb.) $500,000

June 18 (Wednesday)

Arizona Public Service Co. .... **Preferred**
(The First Boston Corp. and Blyth & Co., Inc.) $12,000,000

Bonanza Air Lines, Inc. .... **Common**
(William R. Staats & Co.) $1,750,000

Continental Air Lines, Inc. .... **Debentures**
(Lehman Brothers) $12,000,000

Fall River Electric Light Co. .... **Bonds**
(Bids 11 a.m. EDT) $3,000,000

Municipality of Metropolitan Toronto .... **Debentures**
(Harriman Ripley & Co., Inc. and Dominion Securities Corp.) $39,587,000

Standard Financial Corp. .... **Debentures**
(Glore, Forgan & Co.) $4,000,000

June 19 (Thursday)

Mountain Fuel Supply Co. .... **Debentures**
(The First Boston Corp.) $16,000,000

June 23 (Monday)

Jetronic Industries, Inc. .... **Common**
(Mortimer B. Burnside & Co.)

Pacific Gas & Electric Co. .... **Common**
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 853,781 shares

June 24 (Tuesday)

Albemarle Paper Manufacturing Co. .... **Debentures**
(Offering to stockholders—Scott & Stringfellow) $3,500,000

American Heritage Life Insurance Co. .... **Common**
(Merrill Lynch, Pierce, Fenner & Smith, and Pierce, Carrison, Wulbern, Inc.) 941,564 shares

Central Illinois Light Co. .... **Bonds**
(Bids 11 a.m. EDT) $6,000,000

Mansfield Tire & Rubber Co. .... **Debentures**
(A. G. Becker & Co., Inc.) $7,511,400

Missiles-Jets & Automation Fund, Inc. .... **Common**
(Ira Haupt & Co.) $5,000,000

Pacific Power & Light Co. .... **Bonds**
(Bids 9 a.m. PDT) $20,000,000

San Diego Imperial Corp. .... **Preferred**
(J. A. Hogle & Co.) $700,000

Wilson & Co. Inc. .... **Debentures**
(Smith, Barney & Co.; Glore, Forgan & Co.) $15,000,000

June 25 (Wednesday)

Billups Eastern Petroleum Co. .... **Com. & Debs.**
(The Johnson, Lane, Space Corp.) $2,500,000

Cosmos Industries, Inc. .... **Common**
(Netherlands Securities Co., Inc.) $700,000

Dewey Portland Cement Co. .... **Common**
(G. H. Walker & Co.) 79,000 shares

European Coal & Steel Community (High Authority of) .... **Bonds**
(First Boston Corp., Kuhn, Loeb & Co., and Lazard Freres & Co.) $40,000,000

Securities Acceptance Corp. .... **Preferred**
(First Trust Co. of Lincoln, Nebr.; Wachob-Bender Corp., and Cruttenden, Podesta & Co.) $250,000

Standard Oil of Calif. .... **Debentures**
(Blyth & Co., Inc. and Dean Witter & Co.) $150,000,000

United Gas Corp. .... **Debentures**
(Bids noon EDT) $40,000,000

June 26 (Thursday)

Lazard Fund, Inc., N. Y. .... **Common**
(Lazard Freres & Co.) $37,500,000

June 27 (Friday)

Atlanta Gas Light Co. .... **Common**
(First Boston Corp., Courts & Co., and Robinson-Humphrey Co., Inc.) 121,317 shares

June 30 (Monday)

Orange & Rockland Utilities, Inc. .... **Bonds**
(Bids 11 a.m. EDT) $10,000,000

July 1 (Tuesday)

Chicago, Burlington & Quincy RR. .... **Eq. Tr. Ctfs.**
(Bids to be invited) $4,650,000

Dayton Aviation Radio & Equipment Corp. .... **Com.**
(McDonald, Holman & Co.) $500,000

Florida Power Corp. .... **Bonds**
(Bids 11:30 a.m. EDT) $25,000,000

Potomac Plastic Co. .... **Debs. & Stock**
(Whitney & Co.) $115,000

Salem-Brosius, Inc. .... **Debentures**
(Blair & Co., Inc.) $2,000,000

Salem-Brosius, Inc. .... **Common**
(Blair & Co., Inc.) $281,250

July 2 (Wednesday)

Martin Co. .... **Debentures**
(Smith, Barney & Co.) $25,000,000

Tennessee Gas Transmission Co. .... **Common**
(Dillon, Read & Co., Inc.) 1,084,054 shares

July 7 (Monday)

Laclede Gas Co. .... **Preferred**
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith) $8,000,000

July 8 (Tuesday)

Laclede Gas Co. .... **Bonds**
(Bids to be invited) $10,000,000

Northern States Power Co. (Minn.) .... **Bonds**
(Bids 11 a.m. EDT) $30,000,000

July 9 (Wednesday)

New York Telephone Corp. .... **Bonds**
(Bids to be invited) $65,000,000

July 10 (Thursday)

Boston Edison Co. .... **Preferred**
(The First Boston Corp.) $25,000,000

Southern Natural Gas Co. .... **Debentures**
(Bids to be invited) $30,000,000

July 14 (Monday)

Bankers Management Co. .... **Common**
(McDonald, Holman & Co., Inc.) $400,000

July 16 (Wednesday)

Norfolk & Western Ry. .... **Equip. Trust Ctfs.**
(Bids to be invited) $2,340,000

July 17 (Thursday)

Tampa Electric Co. .... **Bonds**
(Bids to be invited) $17,000,000

August 26 (Tuesday)

New England Telephone & Telegraph Co. .... **Debens.**
(Bids to be invited) $40,000,000

September 4 (Thursday)

Montana Power Co. .... **Bonds**
(Bids to be invited) $20,000,000

Continued from page 35

motion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. Office—Brooklyn, N. Y. Underwriters—Statement to be amended.

Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. Office—Fort Pierce, Fla. Underwriter—Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. Price—$3.50 per share. Proceeds—For expansion, equipment and working capital. Underwriter—None.

★ General Foods Corp.
June 5 filed $11,500,000 of interest in the company's Employee Savings Investment Plan, together with 200,000 shares of common stock which may be acquired pursuant thereto.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). Price—$6 per share. Proceeds — For general corporate purposes. Underwriter—Buckley Enterprises, Inc.

Getty Oil Co., Wilmington, Del.
April 11 filed 2,170,545 shares of common stock (par $4) being offered in exchange for capital stock (par $5) of the Mission Development Co., on basis of one share of Getty stock for each 1.2 shares of Development stock, or five shares of Getty for six shares of Development stock. Offer to expire on June 25 at 3:30 p.m. (EDT).

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). Price—$2 per share. Proceeds—For general corporate purposes. Office—1 E. 35th Street, New York 16, N. Y. Underwriter—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

★ Guaranty Trust Co. of N. Y.
June 10 filed 50,000 American Depositary Receipts for bearer shares of Compagnie D'Outremer Pour L'Industrie Et La Finance ("The Overseas Company for Industry and Finance"). A Belgian Investment Co.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

H. & B. American Machine Co., Inc.
May 9 filed $1,024,944 of 5% collateral notes, due June 15, 1968 (subordinated) and 256,236 shares of common stock (par 10 cents) to be offered together with cash in exchange for the outstanding common stock (par $20) of General Trading Co. on the basis of (a) three shares of American Machine common (b) $12 principal amount of 5% notes, and (c) $5 in cash, for each of the 85,412 outstanding shares of General Trading common stock. The offer is conditioned, among other things, upon its acceptance by holders of not less than 68,330 shares of the General Trading stock. Offer expires June 25. Office—Culver City, Calif. Dealer-Manager—Kalman & Co., Inc., St. Paul, and Minneapolis, Minn.

★ Houston Chemical Manufacturing Co.
May 26 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—For supplies, advertising, furniture and working capital. Office—710 South Fourth St., Las Vegas, Nev. Underwriter—None.

★ H.W.I. Building Corp., Ft. Wayne, Ind.
June 2 (letter of notification) $180,000 principal amount of 5% first mortgage bonds series C in units of $500 each. Price—Par per unit. Proceeds—To be used to pay cost of constructing an addition to warehouse. Underwriter—None.

Idaho Mining & Milling, Inc.
May 19 (letter of notification) 15,000,000 shares of non-assessable common stock. Price—At par (two cents per share). Proceeds — For mining and milling expenses. Office—504 16th Ave., Lewiston, Idaho. Underwriter—None.

Illinois Bell Telephone Co.
May 9 filed 870,792 shares of common capital stock being offered for subscription by stockholders of record May 29, 1958, at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,934 shares. Price—At par ($100 per share). Proceeds—To repay advances from American Telephone & Telegraph Co., and for property additions and improvements. Underwriter—None.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter — S. D. Fuller & Co., New York. Offering—Being held in abeyance.

★ Inland Steel Co.
June 6 filed 500,000 shares of capital stock, to be offered under the Inland Stock Purchase Plan to eligible employees (including officers, whether or not directors) of the company and its subsidiaries.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). Price—$5 per share. Proceeds—For working capital and other corporate purposes. Office—Denver, Colo. Underwriter—Columbine Securities Corp., Denver, Colo.

● Janaf, Inc., Washington, D. C.
July 30, 1957 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. Price—Par for debenture, plus $2 per share for each 10 shares of stock. Proceeds—For construction of a shopping center and other capital improvements; for retirement of present preferred shares and for working caiptal, etc. Underwriter—None. Statement effective.

Jetronic Industries, Inc., Philadelphia, Pa. (6/23)
May 27 filed 130,000 shares of common stock (par 10 cents). Price—$3.75 per share. Proceeds—For research and development and for working capital. Underwriter—Mortimer B. Burnside & Co., Inc., New York, on a best efforts basis.

Lancaster Chemical Corp.
May 26 (letter of notification) 122,115 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held, with additional subscription privileges subject to allotment. Price—$1.50 per share. Proceeds—To repay outstanding debts to purchase real property and for working capital. Office — Broad and 13th St., Carlstadt, N. J. Underwriter—None.

Lancer Industries, Inc.
May 26 (letter of notification) 75,000 shares of common stock (par 10 cents). Price—$4 per share. Proceeds—For purchase of equipment, raw materials, inventories and supplies and for other working capital. Office—1827 N. E. 144th St., North Miami, Fla. Underwriter—None.

★ Lazard Fund, Inc., N. Y. (6/26)
June 5 filed 2,500,000 shares of capital stock (par $1). Price—$15 per share. Proceeds—For investment. Underwriter—Lazard Freres & Co., New York.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). Price—$5 per share. Proceeds—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." Underwriter—First Maine Corp., Portland, Me.

● Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. Price—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. Proceeds—For contractual obligations, for working capital, and other general corporate purposes. Business — To engage primarily in the development and operation of various properties, including shopping centers. Office—Salt Lake City, Utah. Underwriter—J. A. Hogle & Co., Salt Lake City, Utah. Statement to be amended.

Mammoth Mountain Inn Corp.
May 20 filed $350,000 of 6% subordinated sinking fund debentures due 1968 and 70,000 shares of common stock (par $5) to be offered in units consisting of $100 of debentures and 20 common shares. Price — $200 per unit. Proceeds—For construction, equipment and working capital. Office—Beverly Hills, Calif. Underwriter—None.

● Mansfield Tire & Rubber Co. (6/24)
June 4 filed $5,000,000 of sinking fund debentures, due July 1, 1973, and $2,511,400 of convertible subordinated debentures, due July 1, 1973. Convertible subordinated debentures are to be offered for subscription by common stockholders of record June 24, 1958, at the rate of $100 principal amount of debentures for each 22 common shares then held. Price—For sinking fund debentures to be supplied by amendment. Proceeds—To redeem and retire outstanding debentures and other securities. Underwriter—A. G. Becker & Co., Inc., Chicago, Ill.

★ Martin Co., Baltimore, Md. (7/2)
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. Proceeds — Working capital and general corporate purposes. Price—To be supplied by amendment. Underwriter—Smith, Barney & Co., N. Y.

Metropolitan Hotel Corp., Portland, Ore.
May 27 filed $3,000,000 of 4% 25-year sinking fund debentures due July 1, 1983. Price—At par. Proceeds—For construction program and working capital. Subscription Agent — The Hockenbury System, Inc., Portland, Ore.

Mid-America Minerals, Inc., Oklahoma City, Okla.
June 3 filed $199,000 of working interests in the Buffalo Prospect. Buffalo Prospect consists of all the rights of Mid-America under a certain farmout agreement between the company and Shell Oil Co. Agreement covers the oil and gas leasehold in a total of approximately 1,600 acres in Harding County, South Dakota.

● Missiles-Jets & Automation Fund, Inc. (6/24)
May 8 filed 500,000 shares of capital stock (par $1). Price—$10 per share. Proceeds—For investment. Underwriter—Ira Haupt & Co., New York.

Modern Community Developers, Inc., Princeton, N. J.
May 27 filed 15,000 shares of common stock. Price—$100 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). Price—$5 per share. Proceeds—For purchase of land, construction and working capital. Underwriter—Southeastern Securities Corp., New York.

Mountain Fuel Supply Co. (6/19)
May 27 filed $16,000,000 of debentures due 1983. Price—To be supplied by amendment. Proceeds—$14,000,000 to redeem a like amount of bank loans; and the balance for construction program in 1958. Underwriter—The First Boston Corp., New York.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. Price—At market. Proceeds—For investment. Sponsor—Ira Haupt & Co., New York.

● Municipality of Metropolitan Toronto, Canada (6/18)
May 29 filed $3,800,000 of instalment debentures, maturing from 1959 through 1973, and $35,787,000 of sinking fund debentures, maturing in 1978. Price—To be supplied by amendment. Proceeds—For public works improvements. Underwriter — Harriman Ripley & Co., Inc., and Dominion Securities Corp., both of New York.

Murphy Corp., El Dorado, Ark.
May 5 filed 71,958 shares of common stock (par $1) being offered in exchange for outstanding common shares of Superior Refinery Owners, Inc., and Lake Superior Refining Co. (both of Superior, Wis.), at the rate of six shares of Murphy stock for each share of Superior Refinery and Lake Superior stock; also in exchange for outstanding negotiable promissory notes and second mortgage notes of Superior Refinery, and for outstanding negotiable promissory notes of Lake Superior, at rate of four shares for each $100 principal amount of such notes. Offer is conditional upon its acceptances by holders of at least 95% of the outstanding shares and notes of both companies and will expire on June 9, unless extended, but in no event later than June 23.

Mutual Securities Fund of Boston
May 27 filed 200,000 shares of beneficial interest in the Fund. Price — At market. Proceeds — For investment. Underwriter—Keller Brothers Securities Co., Inc., Boston, Mass.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). Price—10 cents per share. Proceeds—For mining expenses. Underwriter—Birkenmayer & Co., Denver, Colo.

★ National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. Price—At par (50 cents per share). Proceeds—To train and procure persons to implement and carry out the projected plan of development and operation. Office—1406 Pearl St., Boulder, Colo. Underwriter—Western Securities Co., Boulder, Colo.

● Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. Price—To be supplied by amendment. Proceeds — To reduce bank loans. Underwriters — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. Offering—To be made in July.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). Price—$2 per share. Proceeds—To pay loan; to acquire fishing tools for leasing; and for working capital. Office—931 San Jacinto Bldg., Houston, Tex. Underwriter—T. J. Campbell Investment Co., Inc., Houston, Tex.

New England Telephone & Telegraph Co. (6/16)
May 16 filed 735,245 shares of common stock to be offered for subscription by stockholders of record June 11 on the basis of one new share for each five shares held; rights to expire on July 11. American Telephone & Telegraph Co. owns about 2,547,411 shares (about 69.29%) of the outstanding stock. Price—At par ($100 per share). Proceeds—To repay advances from parent and for corporate purposes. Underwriter—None.

Norfolk & Carolina Telephone & Telegraph Co., Elizabeth City, N. C.
May 22 (letter of notification) 3,000 shares of common stock to be offered to common stockholders on the basis of one share for each four shares of common stock held on June 5, 1958 at par ($100 per share). No underwriting is involved. The proceeds are to be used to retire short-term open notes and for working capital.

● Northern Indiana Public Service Co. (6/16)
June 2 filed 374,500 of common stock to be offered for subscription by common stockholders of record at 2 p.m. on June 16, 1958, at the rate of one additional share for each 10 shares then held. Offer expires July 7. Price—To be supplied by amendment. Proceeds — For working capital and other corporate purposes. Underwriter—Dean Witter & Co., Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Smith, all of New York.

Northern States Power Co. (Minn.) (7/8)
May 29 filed $30,000,000 of first mortgage bonds due July 1, 1988. Proceeds — To refund $18,000,000 of 5% bonds and for construction program. Underwriter—To be deter-

mined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 8.

Northern Virginia Doctors Hospital Corp. (6/16)
April 4 (letter of notification) 30,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds**—For building fund. **Office** — 522 Leesburg Pike, Falls Church, Va. **Underwriter**—Whitney & Co., Washington, D. C.

★ **Northwestern Public Service Co., Huron, S. D.**
June 6 filed 59,532 shares of common stock (par $3) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. The record date is to be supplied by amendment. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the payment of $900,000 of short term bank notes, the funds from which were used for the 1957 construction program, and the balance if any, will be applied to the company's 1958 construction program. **Underwriter** — A. C. Allyn & Co., Chicago, Ill.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various equipment, and a reserve for future operations. **Business**—To acquire and operate mining claims and oil and gas properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

Oklahoma Gas & Electric Co. (6/16)
May 16 filed $15,000,000 of first mortgage bonds due June 1, 1988. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 16 at The First National City Bank of New York, 55 Wall St., New York 15, N. Y.

Orange & Rockland Utilities, Inc. (6/30)
May 29 filed $10,000,000 of first mortgage bonds, series F due 1988. **Proceeds** — For construction program and bank loans incurred in connection with the company's construction program and the retirement of preferred stock of The Orange and Rockland Electric Co. (a predecessor) also to purchase 20,000 shares of Rockland Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; W. C. Langley & Co.; Equitable Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Pacific Gas & Electric Co. (6/23)
May 27 filed 853,781 shares of common stock (par $25) to be offered for subscription by common stockholders of record June 17, 1958 at the rate of one new share for each 20 shares then held; rights to expire on July 8, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Pacific Power & Light Co. (6/24)
May 20 filed $20,000,000 of first mortgage bonds due July 1, 1988. **Proceeds**—Together with other funds, will be used in carrying forward the company's construction program through 1958 and in retiring bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Bear, Stearns & Co., and Salomon Brothers & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 24 at Room 2033, Two Rector Street, New York 6, N. Y.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

Paxton (Frank) Lumber Co.
May 26 (letter of notification) 15,000 shares of common stock (par $5) to be offered to employees. **Price**—$12.80 per share. **Proceeds**—To redeem common stock. **Office**—6311 St. John Ave., Kansas City, Mo. **Underwriter**—None.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

Potomac Plastic Co. (7/1)
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

★ **Printing Machinery Co.**
June 4 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For the purchase of the manufacturing assets of another company. **Office**—436 Commercial Square, Cincinnati, Ohio. **Underwriter**—None.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Rand Drilling Co., Inc.
May 12 (letter of notification) 100,000 shares of class A common stock (par 50 cents) and 50,000 shares of class B common stock (par 50 cents) to be offered in units of two shares of class A and one share of class B stock. **Price**—$4.50 per unit. **Proceeds**—For expenses incidental to drilling for oil. **Office**—111½ E. St. Peter St., New Iberia, La. **Underwriter** — T. J. Feibleman & Co., New Orleans, La.

Rhodesia and Nyasaland (Federation of) (6/17)
May 8 filed $10,000,000 of external loan bonds due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—Together with a loan of $15,000,000 from World Bank, to be used, mainly for capital expenditures, including railroad development. **Underwriter**—Dillon, Read & Co. Inc., New York.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

★ **Salem-Brosius, Inc., Pittsburgh, Pa. (7/1)**
June 10 filed $2,000,000 of convertible subordinated debentures, due July 1, 1973, and 112,500 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To be used in connection with the proposed acquisition of Alloy Manufacturing Co., Inc., and to retire indebtedness and working capital. **Underwriter**—Blair & Co., Inc., New York.

● **San Diego Imperial Corp., San Diego, Calif. (6/24)**
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

★ **Sears, Roebuck & Co.**
June 9 filed 25,000 memberships in the company's Savings and Profit Sharing Pension Fund together with 2,250,000 shares of common stock which may be acquired by the fund.

● **Securities Acceptance Corp. (6/25)**
May 23 (letter of notification) 10,000 shares of 5% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—304 South 18th St., Omaha, Neb. **Underwriters**—First Trust Co. of Lincoln, Lincoln, Neb.; Wachob-Bender Corp., Omaha, Neb., and Cruttenden, Podesta & Co., Chicago, Ill.

★ **Southeastern Mines, Inc.**
May 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 3034, North Johnson City, Tenn. **Underwriter**—None.

Southern Frontier Finance Co.
May 15 filed 2,000,000 shares of common stock (par 50 cents). **Price** — $1 per share. **Proceeds** — $1,525,000 for purchase of receivables secured by Mobile Homes, or other collateral; and $275,000 for working capital, reserve, etc. **Office**—Raleigh, N. C. **Underwriter**—None.

Standard Financial Corp. (6/18)
May 29 filed $4,000,000 of 15-year first subordinated convertible debentures due June 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire $725,000 of indebtedness and for working capital. **Underwriter**—Glore, Forgan & Co., New York.

★ **Standard Oil Co. (Calif.) (6/25)**
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. **Underwriters**—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. **Offering**—Expected June 25.

Standard Oil Co. (New Jersey)
May 5 filed 2,246,091 shares of capital stock (par $7) being offered in exchange for common shares of International Petroleum Co., Ltd., of Toronto, Canada, and Coral Gables, Fla., in the ratio of nine shares of Standard Oil stock for 10 shares of International stock. **Offer** will expire on July 1, 1958. Statement effective May 23. **Underwriters**—Morgan Stanley & Co. in United States; and Harris & Partners, Ltd. in Canada.

★ **Standard Packaging Corp., New York**
June 4 filed 225,385 shares of the company's common stock (par $1), such shares are to be issued to Johnston Foil Manufacturing Co., a New Jersey corporation, under an agreement pursuant to which Standard acquired substantially all of the assets of Johnston.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Sun Oil Inc., Philadelphia, Pa.
April 22 filed 15,000 memberships in the Stock Purchase Plan for the employees of the company and its subsidiaries, together with 188,000 shares of common stock (no par) which may be purchased by the trustees of the plan during the period July 1, 1958, to June 30, 1959, with respect to the 1958 plan. Registration also covers 243,288 shares of outstanding common stock which may be offered for possible sale by the holders thereof during the period July 1, 1958 to June 30, 1959. **Underwriter**—None.

★ **Sunday River Skiway Corp., Bethel, Me.**
June 5 (letter of notification) 14,357 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Surety Oil Co.**
May 28 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—290 North University Ave., Provo, Utah. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Technology Instrument Corp.
March 27 filed 260,000 common shares (par $2.50) of which 204,775 shares are for account of three selling stockholders and 55,225 shares are for account of company. **Price** — $10 per share. **Proceeds** — For working capital and general corporate purposes. **Business** — Develops and manufactures precision potentiometers and other precision electronic components and measuring instruments. **Office**—Acton, Mass. **Underwriters** — S. D. Fuller & Co., New York, and Scott, Horner & Co., Lynchburg, Va. Statement effective June 3.

Tele-Broadcasters, Inc.
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share. **Proceeds**—To complete the construction of Station KALI. **Office**—41 East 42nd St., New York, N. Y. **Underwriter**—Sinclair Securities Corp., New York, N. Y.

● **Tennessee Gas Transmission Co. (7/2)**
June 2 filed 1,084,054 shares of common stock (par $5) to be offered in exchange for common stock of Middle States Petroleum Corp. at the rate of 45 shares of Tennessee Gas common for each 100 shares of Middle States common; it is a condition of the exchange offer that it be accepted by holders of not less than two-thirds (1,606,005 shares) of the outstanding 2,409,007 Middle States common. **Underwriter**—Dillon, Read & Co., Inc., New York.

Continued on page 38

Continued from page 37

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter**—Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Townsend International Growth Fund, Inc.
May 14 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—Short Hills, N. J. **Underwriter**—FIF Management Corp., Denver, Colo.

Trans-Cuba Oil Co., Havana, Cuba (6/27)
March 28 filed 6,000,000 shares of common stock (par 50 cents) to be offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares of record May 28, 1958; rights to expire on Aug. 1, 1958. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Tuttle Engineering, Inc.
May 7 (letter of notification) 58,600 shares of common stock (par 10 cents) and $293,000 of 6% five-year convertible debentures due June 1, 1963 to be offered in units of 100 shares of common stock and $500 of debentures. **Price**—$510 per unit. **Proceeds**—To pay bank and other notes payable and for working capital. **Office**—4251 East Live Oak Avenue, Arcadia, Calif. **Underwriter**—White & Co., St. Louis, Mo.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office**—Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ **United Funds, Inc., Kansas City, Mo.**
June 9 filed (by amendment) an additional $4,000,000 of Periodic Investment Plans Without Insurance and an indeterminate number of underlying shares of United Accumulative Fund, and $1,200,000 of Periodic Investment Plans With Insurance and an indeterminate number of underlying shares of United Accumulative Fund.

United Gas Corp. (6/25)
May 22 filed $40,000,000 of sinking fund debentures due 1978. **Proceeds**—To prepay a like principal amount of 4% notes due Sept. 22, 1959 held by eight commercial banks. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc., and Goldman Sachs & Co. (jointly); White, Weld & Co., Morgan Stanley & Co. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received up to noon (EDT) on June 25 at Room 2033, Two Rector St., New York 6, N. Y.

United Hardware Distributing Co.
May 5 filed 1,475 shares of 5% cumulative preferred stock (par $100), and 11,750 shares of common stock (par $10) to be offered to retail hardware dealers who are stockholders of the company to equalize holdings. **Price**—For preferred stock, $100 per share; for common stock, $50 per share. **Proceeds**—For working capital to be used to increase inventory of hardware items. **Office**—Minneapolis, Minn. **Underwriter**—None.

United Perlite Corp., Santa Fe, New Mexico
May 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incidental to mining. **Underwriter**—Watson & Co., Santa Fe, New Mexico.

United States Lithium Corp.
May 5 (letter of notification) 580,000 warrants bearing rights to purchase 580,000 shares of common stock (par 10 cents); warrants expire Oct. 18, 1960. **Price**—At market. **Proceeds**—For mining expenses. **Office**—504 Walker Bank Bldg., Salt Lake City, Utah. **Underwriters**—Peter Morgan & Co. and Greenfield & Co., Inc., both of New York, N. Y.; Dagget Securities, Inc., Newark, N. J.; Bauman Investment Co., New Orleans, La.; and Walter Sondrup & Co. and Thornton D. Morris & Co., both of Salt Lake City, Utah.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

United Wholesale Druggists, Inc.
May 27 (letter of notification) 5,000 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—To purchase merchandise. **Office**—1120 Oakleigh Drive, East-point, Ga. **Underwriter**—None.

★ **Universal Oil Recovery Corp., Chicago, Ill.**
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

• **Walnut Grove Products Co., Inc. (6/17)**
May 26 filed $500,000 of 6% sinking fund debentures, series A, due 1968. **Price**—100% of principal amount. **Proceeds**—For expansion program and working capital. **Business**—The formulation, manufacture and sale of a complete line of livestock feed supplements minerals and pre-mixes. **Underwriter**—The First Trust Co. of Lincoln, Neb.

★ **Western Carolina Telephone Co., Weaverville, N. Car.**
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

Western Pacific Mining Co., Inc.
May 26 filed 564,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For capital expenditures and exploration costs. **Office**—Santa Paula, Calif. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price**—$60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds**—For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter**—Edwin Jefferson, 39 Broadway, New York 6, N. Y.

★ **Wilson & Co. Inc. (6/24)**
June 5 filed $15,000,000 of 20-year sinking fund debentures. **Price**—To be supplied by amendment. **Proceeds**—To prepay $7,500,000 of term bank loans due 1960 and to retire bank borrowings, including loans of $5,304,000 for the payment of the company's first mortgage bonds which matured on April 1, 1958. **Price**—To be supplied by amendment. **Underwriters**—Smith, Barney & Co., Glore, Forgan & Co., and Hallgarten & Co., all of New York.

Winter Park Telephone Co.
May 19 (letter of notification) a maximum of 6,619 shares of common stock (par $10) to be offered to employees under the company's Employees' Stock Plan. **Proceeds**—For extensions, additions and improvements of telephone plant and for working capital. **Office**—132 East New England Ave., Winter Park, Fla. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Alco Products Inc.
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters**—Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

Boston Edison Co. (7/10)
May 27 it was announced company may issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., New York. **Registration**—Scheduled for June 20.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

★ **California Interstate Telephone Co.**
President Willard Wade announced June 9 the company will enter the capital market late this year, but nature of the offering has not been decided on. **Underwriter**—Previous issues placed privately through William R. Staats & Co., Los Angeles.

California Water & Telephone Co.
May 27 it was reported that the company will offer additional common stock to stockholders, and then to the public. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected later this year.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Chicago, Burlington & Quincy RR. (7/1)
May 14 it was reported company plans to issue and sell on July 1 $4,650,000 of equipment trust certificates due in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters**—Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Consolidated Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Offering**—Expected in July.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4 5/8% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

★ **Deere & Co.**
Stockholders will vote on July 29 on a plan providing for the exchange of the present preferred stock into 25-year debentures on the basis of $500 of debentures for each 14 shares held.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter**—If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

● General Acceptance Corp.
May 21 stockholders authorized 1,000,000 shares of preferred stock (no par), of which 80,000 shares are to be 60-cent series.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Grace Line Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately $21,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." **Underwriters** — Merrill Lynch Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney Co.; White, Weld & Co.; and F Eberstadt & Co.. all of New York.

★ Grand Union Co.
Plans to register an issue of $10,450,000 subordinated debentures, due 1978, to be offered to common shareholders in the ratio of $100 debentures for each 23 shares of stock held on July 1. Rights to expire on July 21. Debentures to be convertible into common stock until July 15, 1968. **Proceeds**—To reimburse company treasury for cost of 48 stores acquired June 2, 1948. **Underwriters**—Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co Inc.; The First Boston Corp. and White, Weld & Co (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly) The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding. Private sale of 30,000 shares ($3,000,000) of preferred is planned.

★ Houston Corp.
June 2 company announced that it plans to register common stock and debentures to be issued in connection with acquisition of the Coastal Transmission Corp. **Underwriters**—Blyth & Co., Inc.; Lehman Brothers; Allen & Co.; and Scharff & Jones, Inc.

Indiana Gas & Water Co., Inc.
March 25 it was announced that the company plans to issue and sell $3,000,000 of first mortgage bonds. May be placed privately. **Proceeds**—To repay bank loans and for new construction.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

● Laclede Gas Co. (7/7)
May 15 it was announced company plans to issue and sell 320,000 shares of cumulative preferred stock (par $25). **Proceeds**—To retire bank loans and for construction program. **Underwriters** — Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith, both of New York.

● Laclede Gas Co. (7/8)
May 15 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on July 8.

★ MacMillan & Bloedel, Ltd.
Stockholders will vote at a special meeting June 17 on a proposed issue of $32,500,000 of sinking fund debentures of which $10,000,000 would be sold in the United States, bearing 4⅞% interest and due in 20 years.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was reported the company plans to issue and sell an undetermined amount of first mortgage bonds in the latter part of this year or in early 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Montana Power Co. (9/4)
May 12 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds due 1988. **Proceeds** — For exploration and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Sept. 4.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brazil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

National Gypsum Co.
Company plans to register additional common stock in connection with proposed acquisition of American Encaustic Tiling Co. Subject to approval by stockholders of latter company, offer calls for exchange of 1 share of National common for 2.4 shares of American Encaustic common.

Naxon Telesign Corp.
March 19 it was announced by this corporation that it plans to issue and sell 120,000 shares common stock (par $1). **Price** — $5 per share. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

● New York Telephone Co. (7/9)
June 4 it was announced company plans to issue and sell $65,000,000 of refunding mortgage bonds, together with 1,300,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co. on or about Dec. 31, 1958. **Proceeds**—To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on or about July 9.

Norfolk & Western Ry. (7/16)
Bids are expected to be received by the company on July 16 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

★ Northwestern Public Service Co.
June 3 it was reported that the company is considering an offer of additional common stock to stockholders on the basis of one new share for each 10 shares held on or about June 9; rights to expire June 24. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter**—(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey,Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Lighting Corp.
May 8 Robert W. Miller, Chairman of the Board, announced that it is likely the corporation will sell some common stock within the next several months (probably to stockholders). **Proceeds**—For new facilities and equipment. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Public Service Electric & Gas Co. (8/20)
May 26 it was announced that the company plans early registration of $60,000,000 of first refunding mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20.

South Carolina Electric & Gas Co.
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

Southern Colorado Power Co.
April 21 it was reported stockholders will vote May 9 on creating an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southern Natural Gas Co. (7/10)
May 19 it was announced company plans to issue and sell $30,000,000 of sinking fund debentures due 1978. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly). **Bids** — Tentatively scheduled for July 10 at 90 Broad St., New York, N. Y.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Tampa Electric Co. (7/17)
May 14 it was reported company plans to issue and sell $17,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith; Goldman, Sachs & Co. **Bids**—Expected to be received on July 17.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

★ United Artists Corp.
June 5 it was announced that the company is planning a public offering of additional securities before the middle of July. **Underwriter** — F. Eberstadt & Co., New York. **Registration**—Expected to be filed shortly.

Washington Gas Light Co.
May 26 it was announced company plans to issue and sell about 300,000 shares of new preferred stock (no par). **Proceeds**—For construction program. **Underwriters** — Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

With Nolting, Nichol

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla.—Thomas E. Young has become affiliated with Holting, Nichol & Company, West Garden Building.

Mutual Funds

By ROBERT R. RICH

Progress of the Variable Annuity

The New Jersey Assembly approved by a vote of 31 to 12 a series of measures permitting the issuance of variable insurance policies in the state under regulation of the New Jersey Department of Banking and Insurance.

These measures now will go to the Senate for approval.

The Senate has refused to act upon this type of legislation for the past three previous years. Assemblyman LeRoy J. D'Aleia (Dem.), Essex County and Paul M. Saulsberg, (Rep.), Atlantic County were the sponsors of the three measures under debate, Measure (A. 330) permits the issuance of variable insurance contracts; measure (A. 331) regulates the reserves which must be carried by insurance companies; and (A. 332) stipulates the regulation of this type of policy by the banking and insurance commissioner.

At the National Association of Insurance Commissioners in Chicago, the discussions on variable annuities got off to a slow start since only one industry member put in an appearance prior to the sub-committee's executive session.

The hearing bogged down on two principal points of issue, whether variable annuity should be a special regulatory problem and whether this type of annuity is really insurance in the accepted term. In regard to the latter point it was generally agreed that the U. S. Supreme Court would have to render a decision.

At this time there are three life insurance companies which are selling variable annuities. The Variable Annuity Life Insurance Company of America, Inc., the Equity Annuity Life Insurance Co., and the Participating Life Insurance Company. Variable and Equity have their home offices in Washington, D. C., and Participating Life is located in Arkansas.

Thus far there has been unmistakable determination on the part of the U. S. Congress to leave the insurance business in the control of the States. The variable type of insurance can be and is being sold in Arkansas, District of Columbia, North Dakota and West Virginia.

Axe Contemplates Life Insur. Plan

Axe Securities Corporation is now completing details of a new monthly-payment mutual fund investment plan which contemplates insurance protection up to $30,000 at the rate of 75 cents a thousand a month.

According to the proposed plan, investors would make regular monthly purchases of Axe-Houghton Stock Fund shares for a period of 10 years with the insurance guaranteeing immediate completion of a planholder's payments in the event of his death.

The new plan would replace an earlier Axe-Houghton Stock Fund plan which was abandoned after insurance rates had risen from $1 to $3 — and the planholders had been given the option of accepting a non-insurance arrangement. The rate is now $5 for those few still carrying the old insurance.

It is expected that stricter insurance requirements will maintain, or even reduce, the starting rate for the new plan.

Group's Common Stock Fund Heavy Buyer During May

The Common Stock Fund of Group Securities, Inc., in the month just ended was a substantial buyer of equity investments. The only sales from portfolio were the elimination of 1,700 Sherwin-Williams and the balance of holdings of 1,000 General Electric. All other purchases result from new money received from investor purchases of the Fund's shares.

A 6,000-share purchase of Woolworth represented the only new position taken during the month.

The Fund increased its holdings in Banking & Finance through the purchase of 500 Chase Manhattan, 200 Chemical Corn, 900 C. I. T., 2,000 Commercial Credit, 500 First National City, 1,000 Hanover, and 1,000 Manufacturers Trust. In the Rails, 3,000 Chesapeake & Ohio, 2,000 Norfolk & Western, and 2,000 Union Pacific were added to existing positions.

Also favored among May purchases were the common stocks of selected Utility, Food and Retail Trade companies. Added to existing positions were 1,000 Continental Baking, 2,000 Marshall Field, 2,000 May Dept. Stores, 2,000 Northern Natural Gas, 1,000 Public Service Electric & Gas, 1,000 Southern Natural Gas, 1,000 Union Electric, 1,200 United Biscuit, and 3,000 West Penn Electric.

Other purchases reflecting increased positions were 500 American Agricultural Chemical, 2,000 Deere & Co., 2,000 International Harvester, 3,000 U. S. Plywood, and 300 Westinghouse Air Brake.

Putnam Growth Fund Asset Value Up 10%

The Putnam Growth Fund reports an increase of over 10% in net asset value per share during the quarter ended May 31, from $10.28 to $11.32, after payment of a dividend from investment income of 5 cents per share.

Total net assets of the Fund increased more than 50% from $2,360,000 on Feb. 28 to over $3,550,000, and the number of shareholders rose from 1,300 to more than 2,000. The original starting investment of the Fund on Nov. 6 was $179,000 and was supplied principally by the Trustees and members of The Putnam Management Company.

During the quarter the Fund increased its investment in common stocks, while continuing its policy of investing in a compact list, Charles M. Werly, Trustee, said. On May 31, common stocks represented 72% of the Fund's total investment, compared with 49% on Feb. 28. In commenting on the Fund's current investment policy, Mr. Werly said, "We believe strongly that the best capital gain opportunities in the years ahead will not necessarily be in the leading growth issues of the past. Certain of the old leaders will continue to move forward vigorously, but tomorrow's growth portfolio should also include a discriminating choice of younger, less well-known companies."

The ten largest common stockholdings of the Fund on May 31 included American Photocopy, Phillips' Gloeilamp, N. V., Merck & Co., Diners' Club, Inc., General America Corp., Peoples Water & Gas Co., Dominion Stores, Ltd., Royal Dutch Petroleum Co., Grolier Society, Inc., and Shulton, Inc.

National Securities Open Accounts Over 50,000

A record high of 50,145 shareowners of National Securities Series mutual funds have open accounts providing for either monthly investments or the reinvestment of quarterly income distributions into additional shares according to April 30, 1958 fiscal year-end figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation, sponsors and managers of the funds.

This total represents an increase of 12,802 over the number established on the same date last year and includes almost one-third of National's 158,205 shareowners of record as of April 30.

Commenting on these figures, Mr. Hare remarked, "We feel the substantial gain registered in new monthly investment plans, along with reinvestment accounts, underlines the important role many long range investors have assigned to mutual funds in their overall financial planning."

National's monthly investment plan is of the voluntary type with an initial minimum investment of $40 and subsequent minimum investments of $25. The shareowners are under no obligation to continue the plan and may stop or postpone monthly investments without any penalty being incurred.

Keystone S-3 Fund Cites Record Gains

Keystone Growth Common Stock Fund S-3 reached new highs in net asset value, number of shareholders, and number of shares in the last 12 months, President S. L. Sholley points out in his semi-annual report for the period ended April 30.

During the 12-month period, number of Keystone S-3 shareholders more than doubled to 18,708 and number of outstanding shares increased 78% to a total of 2,620,594. Net new capital invested jumped to $12,745,650 as compared with $4,087,710 in the preceding 12 months. Total net assets rose approximately 34% to $27,366,764.

Net asset value per share was $10.44 compared with $10.13 six months earlier. The volatility of the market is indicated by the fact that in the month since the end of the first half year, net asset value has increased another 5% to $11.

As of April 30, the S-3 portfolio consisted of 48 securities in 15 industries. Oil holdings, boosted by the addition of 25,000 shares of Shell Transport and increases in holdings of Halliburton Oil Well Cementing and Skelly Oil, constituted 12.8% of the portfolio. Chemicals and office and business equipment also were increased, while drugs, machinery and steel were shaved.

Portfolio changes included the addition of Haloid Xerox; Houston Natural Gas; KLM Royal Dutch Airlines; Kelsey-Hayes; Litton Industries; Pennsalt Chemicals; Raymond International; Shell Transport & Trading, and United Aircraft. Eliminations were Cerro de Pasco; Clark Equipment; Garrett; Smith (A. O.); Schering, and Wheeling Steel Corp.

	April 30,'58	April 30,'57
Total Net Assets	†$27,366,764	$20,301,177
Shs. Outstanding	2,620,594	1,471,455
No. of Sharehldrs.	18,708	8,766
Asset Value Per Share	†$10.44	$13.80
Income Per Share (6 months)	$0.16	$0.16

†Does not include capital gains distribution of 98 cents per share paid Oct. 15, 1957, totalling $1,786,041.

The Coming Lazard Fund

Toward the end of this month, the beginning of a new investment company—The Lazard Fund—will create an opportunity for investors at large to commit their capital jointly with that of the partners of Lazard Freres & Co., their families, close associates and clients in a new undertaking—the investment of the fund's assets, always mindful of changing conditions to secure capital appreciation and growth, while taking income as it occurs.

The partners and those they are associated with have already indicated they will invest somewhat over $35,000,000 in the new mutual fund by buying some 2,500,000 shares. Further shares will be offered publicly at prices ranging from $15 to $14 a share, depending on the amount purchased, the minimum of which is 100 shares.

The commission charges will range from 7½ to 0.89%.

Lazard Freres is one of the best known investment banking houses in the United States today. The blue-ribbon Wall Street investment firm, with headquarters in town at 44 Wall Street, has been a prominent participant in international financial dealings carrying widespread significance.

A reader of recent dated financial pages, for example, would have noticed that Lazard, among other things, will be one of three firms managing a syndicate offering investors $40,000,000 in the securities of the High Authority of the European Coal & Steel Community; one of two firms heading a syndicate which offered $50,000,000 Owens-Illinois Glass Co. debentures and one of two firms heading a syndicate which marketed $20,500,000 Tulsa County, Okla., airport bonds.

Just over a year ago, a Wall Street syndicate headed jointly by Kuhn, Loeb & Co., First Boston Corp. and Lazard Freres & Co. underwrote an offering here of $35,000,000 European Coal and Steel Community bonds. It was the first public marketing of the Community's securities in this country.

Last fall, Lazard Freres & Co. of Paris and the Bank of Indochina marketed to French investors $40,000,000 in the common stock of Repfrance — Compagnie Francaise Pour le Financemte de la Recherche et de l'Explotation due Petrole—a recently organized holding company to finance oil developments in France and the new oil strikes in the Sahara region.

It was one of the largest financial transactions of its kind in France and the underwriting was an instantaneous success. Repfrance has an interest in Eurafrep, a company started by Lazard Freres, the Bank of Indochina and the Campaignie Francaise du Sahara to participate with French and American interests in joint petroleum projects in various parts of the world.

The Repfrance offering itself was a sensation in Paris, with crowds of 1,000 persons waiting outside the offices of Lazard and the Bank of Indochina in Paris alone when

the doors were opened for business.

Early this year, Lazard Freres and an international subsidiary of the Chase Manhattan Bank disclosed plans to set up a privately-owned development organization in Iran to provide that country with both debt and equity capital.

And, a little over two years ago, Lazard joined with Lehman Bros. to buy a substantial interest in the Italian Banco di Credito Finanziario, known as "Mediobanca," which itself was organized as an investment banking house by three Italian banks in 1946.

Just as the growth of the mutual fund industry from $1,300,000,000 in assets in 1946 to $9,786,000,000 today has been one of the remarkable financial phenomenon of the postwar years, so the entry by Wall Street's old-line investment banking houses into the mutual fund field is viewed as one of the most significant developments so far this year in Wall Street.

The fact that Lehman Brothers —in offering the public shares this month in its new mutual fund, The One William Street Fund, Inc.— was able to raise $185,000,000 after commissions has made a deep impression on Wall Street minds.

By that single offering, plus the absorption of the $37,000,000 Aurora Corp. assets, Lehman Brothers created a mutual fund which is among the top ten in size in the country.

Aside from Lazard, two other well-known Wall Street investment firms, one of which is already closely-identified with the mutual fund business, are considering the organization of mutual funds this fall.

Investment companies, it's said, were born well in The Netherlands, bred well in England, and put to work in America. The earliest-known was begun at the start of the 19th century by King William I of The Netherlands.

Here, where they have had a turbulent history before evolving into their present form, among the first ones were the Boston Personal Property Trust, begun in 1894, and the Railway and Light Securities Co., started in 1904.

These were so-called closed-end investment companies, with a fixed capitalization. Their shares often can be sold only at a discount from net asset value in the market-places.

By contrast, the shares of mutual funds, which have a fluid capitalization, are redeemable at net asset value. The first of the mutual funds, an American innovation for the investment company idea, was Massachusetts Investors Trust, which was formed in 1924. The assets of mutual funds surpassed those of closed-end investment companies in 1945.

Both offer investors professional supervision of portfolios and diversification—where even a small invested sum can be spread across many securities in many industries

Today, of an estimated 9,000,000 stockholders, 1,500,000—or one in six—own mutual fund shares.

While the average regular account holder has $4,171 invested in mutual fund shares, and the average accumulation plan holder, $1,890, 10.2% of the regular account holders have $25,000 or more invested, and 25% have over $10,000 in fund shares.

While Lazard as an entity is very well-known today, less may be known about Lazard's history, for the firm's sophistication is matched by its conservatism.

Despite the French name, Lazard Freres is a thoroughly American firm whose own growth has paralleled and been caught up by the growth of the United States economy.

This lends considerable authority to the statement by the firm, which will be investment managers of the new fund, about its proposed investment objectives and policies.

"The management of the fund," they say, "believes that a long-range policy emphasizing equity investment will be the most rewarding to the investor. This is based upon confidence in the growth of the country, its industries and its industrial technology.

"The custom of companies in varying degree to finance capital requirements through the retention of a portion of their earnings in itself tends to add a growth factor to their equities."

Lazard Freres was founded in July 1848 in New Orleans by three brothers—Alexander, Lazare, and Simon Lazard — as a dry-goods business after they arrived in the United States from a small town in Alsace.

Moving to San Francisco later, the firm engaged in financing operations, mostly in the woolen business and mortgage lending. The latter led to one of the most notable land transactions of the early days — the purchase of 366,000 acres in Oregon in anticipation of the country's expansion to the Pacific Northwest.

In 1876, the firm's members realized their banking business was destined to be more important than the mercantile business, deciding to devote their energies to the first, and in that year the banking house of Lazard Freres opened its doors in San Francisco. By 1880, they had moved to New York, and 1903 became a member of the New York Stock Exchange.

In 1933, when legislation required the separation of banking and investment banking, the firm decided to remain in the investment banking field.

On several occasions, the firm played a chief role in curbing money panics for its facilities enabled it to ship gold from San Francisco to New York when needed.

25% Gain in Share Sales by Wellington

Investor purchases of Wellington Fund shares for May 1958 were the highest for any corresponding month in the Fund's history and more than 25% above May 1957, according to A. J. Wilkins, Vice-President and Director of Distribution.

"One of the reasons for this," Mr. Wilkins declared, "is the recognition by investment dealers of the value of continuous professional management for their clients' investment programs."

The total assets of The Wellington Fund, one of America's largest mutual funds, were $695,540,000 at the close of May 1958.

Comparative gross sales figures are as follows:

May 1958	$9,256,000
May 1957	$7,360,000

Fund's Net Assets At New High Total

Net assets of Broad Street Investing Corporation, the diversified fund of the Broad Street Group of Mutual Funds, reached $109,517,939 on May 31, Francis F. Randolph, Chairman of the Board and President, reported.

This is more than $3 million greater than the previous high of $106,318,431 as of April 30.

Per share asset value on May 31 was $21.92—up from the $21.41 at the end of April.

Two With Smith, Ramsay

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Arthur T. Carlson and Doris E. MacDonald have joined the staff of Smith, Ramsay & Co., Inc., 207 State Street. Mr. Carlson was formerly with George C. Lane & Co., Inc.

Grayson Kirk Dir. of Two Bullock Funds

Grayson Kirk, President of Columbia University, has been elected to the boards of directors of Dividend Shares, Inc. and Nation-Wide Securities Co., two mutual funds under the management of Calvin Bullock, Ltd., it was announced by Hugh Bullock, President.

Grayson Kirk

Dr. Kirk also is a director of International Business Machines Corp. and of Socony-Mobil Oil Company. A specialist in the field of international relations, whose academic career began in 1925 when he was a history professor of Lamar College in Beaumont, Texas, and carried him to the presidency of Columbia in 1953, Dr. Kirk is considered an authority in the field of government. From 1942-43 he served with the State Department in the Political Studies Division. In 1944 he was a member of the United States delegation staff at Dumbarton Oaks. In 1945 at the San Francisco conferences he was executive officer of the Third Commission which established the Security Council for the United Nations when it came into being.

He is a member of the Council on Foreign Relations, the Academy of Political Science, the American Political Science Association, and the American Society for International Law. Dr. Kirk's books include "Philippine Independence," published in 1936; "Contemporary International Politics" (with W. R. Sharp) in 1940; "War and National Policy, a Syllabus" (with R. P. Stebbins, 1941); and "The Study of International Relations in American Colleges and Universities," published in 1947 by the Council on Foreign Relations. Also he has contributed to Political Science Quarterly, Foreign Affairs, American Political Science Review, International Organization, and the Yale Law Review. He is a member of Phi Beta Kappa.

Axe-Canada Share Value Rises 10%

The net asset value of shares of Axe-Templeton Growth Fund of Canada rose 10% in the last six months of the fiscal year ending April 30, 1958, according to the Fund's annual report.

The shares were worth $20.62 in Canadian dollars on April 30, the last day of the fiscal year, as against $18.75 on Oct. 31, 1957 (in American dollars these amounts were $21.27 and $19.52, respectively). Total net assets changed only slightly in the half year—from $3,028,606 to $2,928,841 in Canadian dollars.

The Fund, formerly Templeton Growth Fund of Canada came under Axe Securities Corporation sponsorship last Aug. 30 when it was renamed and shareholders approved the continuous offering of shares to the public.

In their letter to shareholders, Emerson W. Axe, Chairman, and John M. Templeton, President, said that "investment through a Fund like this provides mutual benefits for both U. S. investors and for Canadian industry. This form of investment, rather than investment by subsidiaries of U. S. corporations, is the most welcome type of investment to a nation such as Canada."

Continued from page 2

The Security I Like Best

handles all public transit in Chicago except that handled by taxicabs and commuting railroads. This Authority, charged by law with delivering mass transportation at lowest cost consistent with a well-maintained efficient system, has now an operations record of a decade. This 10-year record (1948-1957) shows an average coverage of maximum debt service at 1.87 before depreciation. Maximum bonded debt reached $132,687,000 on Dec. 31, 1953 and is now $119,770,000. Total bonded debt retirement since inception has been $15,230,000. While there are serial bonds maturing 1958 to 1972 and equipment trust certificates maturing 1958-1966, the main trading interest is in the term S. F. 3¾s of 1978 and term 4½s due 7-1-82.

What's new in this picture that hasn't already been emphasized? Earlier writers have stressed the good record, the growth of the area and have also not overlooked the loss of riders, which of course has occurred, nationally in large centers of population since World War II. To me the real meat of late has been a very perceptible realization on the part of the responsible public that Chicago Transit Authority is vital to this area and must be sustained in a sound condition. This attitude is recognizable in the press, locally and nationally; public officials realize it; and even many private motor car operators admit it.

The value and necessity of The Chicago Transit Authority service would be dramatically emphasized by a complete shutdown of service, but this would be a most costly and unfortunate method of illustration. Even so, if Chicago ever had to go to work and get to the job and home again without CTA service, some wonderful truths would be driven home and remain long in local memories. Transit engineers will tell you that there does not exist enough street space for the private motor car to complete such an emergency job. Automobiles would be backed up for miles and probably would be abandoned in the undertaking. It would be "shank's mare" for most, and that usage would not stand up for long.

Such a catastrophe would show once and for all that people can be moved faster and more efficiently by mass public transportation than by the use of any other means. It would show that no other available means, especially the private car, could handle the job. And most important of all, it would dramatically prove that the private car has no reasonable or fair place in the congested loop areas. Its costly presence there is at cross purposes with the public responsibility of the greatest good to the greatest number. Its presence in that area has slowed down the speed and efficiency of transport for thousands of citizens and workers. The automobile operator and his private car belong in the feeder and periphery areas, but in times past he has been coddled and pampered by having services provided which bring him into congested loop areas at **great public cost.**

The problems of metropolitan transit are just beginning to be understood, but Chicago Transit Authority is ahead of others in such local understanding. The future will show that no longer can any one agency, public or private, pre-empt the lucrative gateways, be they tunnels, streets or bridges. It is an overall problem probably involving subsidy, but if the public good is kept paramount, then even subsidy is not a horrid word. As I see it, Chicago Transit Authority is out in front with these basic understandings.

In my opinion, the revenue bonds of Chicago Transit Authority are typical "business man's risk" type of investment. Where an individual or an institution holds a broad list of tax exempt securities, a reasonable portion of such a portfolio could be invested in these bonds for purposes of improving yield.

I do not classify the bonds as being conservative enough for must Trust Funds and persons needing an unusual degree of safety. While the 3¾s due 7-1-78 are listed on the American Stock Exchange, the major trading is Over-the-Counter in the same manner and degree as with other tax exempt bonds. The size of the term issue, coupled with interest in this major center of population, is giving the bonds a good measure of marketability.

A. B. Young Pres. of Phila. Ch. of Commerce

PHILADELPHIA, Pa.—Andrew B. Young, a director of Wellington Fund, has been elected President of the Greater Philadelphia Chamber of Commerce and will take office on July 1st.

Andrew B. Young

A native Philadelphian, Mr. Young has been a partner since 1935 in the law firm of Stradley, Ronan, Stevens and Young, general counsel for Wellington, and is widely recognized as an author and lecturer on taxation and finance subjects.

McDonald, Holman Sells North American Merchandising Co. Stk.

An offering of 300,000 shares of common stock of North American Merchandising Co. was made on June 6 by McDonald, Holman & Co., New York, at $1 per share. The offering was oversubscribed.

The company was incorporated under the laws of the State of Delaware on April 11, to engage primarily in the business of marketing and merchandising, through retail super-markets, products of a diverse nature. The company at present is primarily engaged in the merchandising of greeting cards, gift wrappings, gift accessories and stationery.

Harry Brager Opens

WASHINGTON, D. C. — Harry E. Brager has formed Harry E. Brager Associates with offices at 1218 Sixteenth Street, N. W. to engage in a securities business.

Martin Morfeld Opens

ROCK SPRINGS, Wyo. — Martin B. Morfeld is engaging in a securities business from offices at 119 Bank Court.

First Southern Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Gordon W. Darden, Jr., has been added to the staff of First Southern Corporation, 652 Peachtree Street, N. E.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—J. Douglas Macy has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, Executive Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	June 15	§63.8	*62.4	52.3	86.5
Equivalent to—					
Steel ingots and castings (net tons)	June 15	§1,723,000	*1,685,000	1,412,000	2,214,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 30	6,241,635	6,256,485	6,227,035	7,418,465
Crude runs to stills—daily average (bbls.)	May 30	¶7,487,000	7,331,000	7,078,000	8,132,000
Gasoline output (bbls.)	May 30	26,438,000	25,679,000	24,892,000	27,476,000
Kerosene output (bbls.)	May 30	1,569,000	1,714,000	1,698,000	2,119,000
Distillate fuel oil output (bbls.)	May 30	11,964,000	11,853,000	11,037,000	13,055,000
Residual fuel oil output (bbls.)	May 30	6,857,000	6,607,000	6,298,000	8,003,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 30	193,355,000	195,753,000	202,515,000	195,285,000
Kerosene (bbls.) at	May 30	21,469,000	20,709,000	18,703,000	25,020,000
Distillate fuel oil (bbls.) at	May 30	87,858,000	84,464,000	76,266,000	97,019,000
Residual fuel oil (bbls.) at	May 30	61,383,000	60,353,000	58,050,000	40,067,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 31	529,547	570,670	533,004	671,045
Revenue freight received from connections (no. of cars)	May 31	480,084	503,096	491,171	589,199
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 5	$481,351,000	$423,990,000	$380,569,000	$442,699,000
Private construction	June 5	171,720,000	155,564,000	147,240,000	233,529,000
Public construction	June 5	309,631,000	268,426,000	233,329,000	209,170,000
State and municipal	June 5	173,876,000	178,108,000	181,574,000	186,655,000
Federal	June 5	135,755,000	90,318,000	51,755,000	22,515,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 31	7,140,000	*5,570,000	6,350,000	8,831,000
Pennsylvania anthracite (tons)	May 31	339,000	395,000	357,000	545,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 31	116	128	132	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 7	11,681,000	*11,155,000	11,315,000	11,550,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 5	325	278	279	289
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 3	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	June 3	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	June 3	$36.00	$35.53	$32.00	$54.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 4	24.425c	24.475c	24.450c	31.275c
Export refinery at	June 4	22.550c	22.225c	22.075c	29.075c
Lead (New York) at	June 4	11,000c	11.500c	12.000c	15.000c
Lead (St. Louis) at	June 4	10.800c	11.300c	11.800c	14.800c
‡Zinc (delivered) at	June 4	10.500c	10.500c	10.500c	11.500c
Zinc (East St. Louis) at	June 4	10.000c	10.000c	10.000c	11.000c
Aluminum (primary pig. 99%) at	June 4	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	June 4	94.500c	94.500c	94.250c	98.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 10	95.82	95.97	95.54	88.29
Average corporate	June 10	96.54	96.38	96.07	94.26
Aaa	June 10	103.30	103.13	102.96	98.25
Aa	June 10	99.68	99.52	99.52	97.00
A	June 10	95.92	95.92	95.62	95.01
Baa	June 10	87.99	87.72	87.05	87.45
Railroad Group	June 10	92.06	91.62	91.48	92.35
Public Utilities Group	June 10	97.94	97.94	97.62	95.47
Industrials Group	June 10	99.68	99.68	99.04	94.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 10	2.86	2.84	2.88	3.49
Average corporate	June 10	3.97	3.98	4.00	4.12
Aaa	June 10	3.55	3.56	3.57	3.86
Aa	June 10	3.77	3.78	3.78	3.94
A	June 10	4.01	4.01	4.03	4.07
Baa	June 10	4.56	4.58	4.63	4.60
Railroad Group	June 10	4.27	4.30	4.31	4.25
Public Utilities Group	June 10	3.88	3.88	3.90	4.04
Industrials Group	June 10	3.77	3.77	3.81	4.08
MOODY'S COMMODITY INDEX	June 10	398.7	400.6	396.8	427.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 31	264,648	242,408	286,835	381,000
Production (tons)	May 31	247,209	259,071	246,385	272,124
Percentage of activity	May 31	83	85	81	93
Unfilled orders (tons) at end of period	May 31	348,600	333,870	365,246	493,679
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 6	109.82	109.82	109.92	110.20
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 17	1,608,130	1,711,330	1,537,800	1,700,920
Short sales	May 17	332,890	389,200	287,810	323,020
Other sales	May 17	1,303,430	1,269,700	1,273,340	1,457,520
Total sales	May 17	1,636,320	1,658,900	1,561,150	1,780,540
Other transactions initiated on the floor—					
Total purchases	May 17	491,120	466,310	438,690	389,380
Short sales	May 17	67,800	40,400	38,700	23,000
Other sales	May 17	434,080	492,340	385,960	376,960
Total sales	May 17	501,880	532,740	424,660	399,960
Other transactions initiated off the floor—					
Total purchases	May 17	556,505	549,980	584,915	658,420
Short sales	May 17	162,030	195,630	138,060	132,590
Other sales	May 17	659,370	685,850	561,629	584,170
Total sales	May 17	821,400	881,480	699,689	716,760
Total round-lot transactions for account of members—					
Total purchases	May 17	2,655,755	2,727,620	2,561,405	2,748,720
Short sales	May 17	562,720	625,230	464,570	478,610
Other sales	May 17	2,396,880	2,447,890	2,220,929	2,418,650
Total sales	May 17	2,959,600	3,073,120	2,685,499	2,897,260
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	May 17	1,206,601	1,357,465	1,201,302	1,424,509
Dollar value	May 17	$51,128,097	$57,441,121	$51,370,713	$76,726,917
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 17	1,090,383	1,180,818	992,714	1,313,262
Customers' short sales	May 17	27,661	18,868	18,837	14,739
Customers' other sales	May 17	1,062,722	1,161,950	973,877	1,298,523
Dollar value	May 17	$44,958,526	$48,156,212	$42,521,298	$67,472,968
Round-lot sales by dealers—					
Number of shares—Total sales	May 17	343,960	327,950	267,160	374,080
Short sales	May 17	------	------	------	------
Other sales	May 17	343,960	327,950	267,160	374,080
Round-lot purchases by dealers—					
Number of shares	May 17	439,990	501,140	492,670	487,490
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	May 17	994,170	953,240	805,550	575,790
Other sales	May 17	13,218,230	13,952,700	11,871,490	13,034,650
Total sales	May 17	14,212,400	14,905,940	12,677,040	13,610,440
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 3	119.1	119.3	119.3	117.5
Farm products	June 3	96.2	97.4	97.7	90.6
Processed foods	June 3	113.0	113.2	112.0	106.5
Meats	June 3	115.0	115.4	111.7	95.7
[illegible] commodities other than farm and foods	June 3	125.2	125.2	125.4	125.3

[illegible]vised figure. ¶Includes 869,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$29,108,450	$15,940,184	$23,288,176
Middle Atlantic	93,135,873	96,493,439	131,698,857
South Atlantic	63,484,679	41,089,088	51,427,308
East Central	106,310,553	100,757,364	114,149,048
South Central	97,929,325	100,967,461	82,445,303
West Central	56,622,773	33,126,565	36,470,442
Mountain	22,589,537	21,249,138	20,335,961
Pacific	121,366,793	154,423,117	128,291,173
Total United States	$590,547,983	$564,046,356	$588,106,268
New York City	53,726,893	53,723,840	83,437,287
Outside New York City	536,821,090	510,322,516	504,668,981
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:			
Manufacturing number	257	281	190
Wholesale number	139	141	115
Retail number	737	750	580
Construction number	209	202	172
Commercial service number	116	121	118
Total number	1,458	1,495	1,175
Manufacturers' liabilities	$29,538,000	$23,311,000	$16,286,000
Wholesale liabilities	7,673,000	8,322,000	11,655,000
Retail liabilities	23,657,000	23,531,000	15,994,000
Construction liabilities	9,612,000	11,921,000	9,090,000
Commercial service liabilities	13,497,000	4,470,000	3,878,000
Total liabilities	$83,977,000	$71,555,000	$57,103,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	11,329	11,670	12,312
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of March (Millions of dollars):			
Manufacturing	$52,100	$52,500	$53,300
Wholesale	12,400	12,500	12,800
Retail	24,100	24,300	23,700
Total	$88,500	$89,300	$89,900
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of April	729,546	632,022	809,727
In consuming establishment as of May 3	1,722,973	1,746,865	1,515,192
In public storage as of May 3	9,338,619	10,516,327	11,895,544
Linters—Consumed month of April	75,043	88,716	104,243
Stocks May 3	941,177	956,789	969,225
Cotton spindles active as of May 3	17,602,000	17,682,000	18,246,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 3	20,942,000	20,942,000	21,406,000
Spinning spindles active on May 3	17,602,000	17,682,000	18,246,000
Active spindle hours (000's omitted) May 3	9,451,000	7,984,000	8,533,000
Active spindle hours for spindles in place Apr.	378.0	399.2	426.7
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of April:			
Sales (average monthly), unadjusted	116	115	*119
Sales (average daily), unadjusted	114	113	116
Sales (average daily), seasonally adjusted	121	*127	118
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of April:			
Seasonally adjusted	126	128	144
Unadjusted	127	130	145
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$262,700,000	$239,700,000	$223,600,000
Matured endowments	61,200,000	58,200,000	68,500,000
Disability payments	10,000,000	9,800,000	9,900,000
Annuity payments	49,9[illegible]	48[illegible]	45,800,000
Surrender values	126,600,000	111,200,000	108,300,000
Policy dividends	131,100,000	100,300,000	119,400,000
Total	$641,500,000	$567,900,000	$575,700,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of March (000,000's omitted):			
Ordinary	$3,860	$3,457	$3,932
Industrial	509	459	563
Group	1,319	944	1,158
Total	$5,688	$4,860	$5,653
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES Month of March (millions of dollars):			
Inventories—			
Durables	$29,881	*$30,266	$31,185
Nondurables	22,159	*22,179	22,149
Total	$52,040	*$52,445	$53,334
Sales	25,117	*25,542	28,426
MONEY IN CIRCULATION—TREASURY DEPT. As of March 31 (000's omitted)	$30,666	$30,554	$30,585
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of May:			
Industrials (125)	4.12	4.19	3.82
Railroads (25)	6.06	4.38	6.34
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.40	4.46	4.69
Banks (15)	4.58	4.76	4.77
Insurance (10)	3.08	3.08	2.91
Average (200)	4.27	4.35	4.05
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of April:	£30,242,000	£22,693,000	£20,998,000
NEW YORK STOCK EXCHANGE— As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,869,255	$2,776,150	$2,820,197
Credit extended to customers	134,440	110,741	27,802
Cash on hand and in banks in U. S.	322,244	312,395	318,625
Total of customers' free credit balances	984,558	954,350	807,352
Market value of listed shares	214,039,579	207,795,213	221,595,121
Market value of listed bonds	115,750,571	114,816,119	100,657,111
Member borrowings on U. S. Govt. issues	449,420	275,253	67,583
Member borrowings on other collateral	1,995,649	1,941,152	2,204,675
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of March (000's omitted):			
Savings and loan associations	$704,551	$637,584	$743,513
Insurance companies	108,334	100,707	115,207
Banks and trust companies	345,058	304,411	334,410
Mutual savings banks	94,463	86,922	99,048
Individuals	269,856	252,673	293,188
Miscellaneous lending institutions	343,811	318,355	351,136
Total	$1,866,073	$1,700,652	$1,936,502

Our Reporter's Report

Results of the Treasury's recent operation proved fully up to the expectations of officials and, in the case of its long-term, new money bonds, which were over-subscribed 2.5 times, was perhaps better than had been anticipated.

But thus far the outcome has not lent much stimulus to the seasoned markets nor to the corporate new capital market. Investment interests still are inclined to drag their feet as far as new corporate offerings are concerned.

This does not mean that there is any really serious backing up of new issues in syndicate hands, but it simply reflects the disposition of potential buyers to get all they can in the way of return on funds available for investment.

In a word, the manipulation of money rates by Federal managers is not tending to scare out buyers any more than it seems to have quickened the pace of new offerings up to this point.

True, it has evidently induced some pickup in foreign sorties into the money market here, but corporations still appear to be biding their time in reshaping their expansion plans.

Recent corporate offerings has been chiefly for the purpose of funding floating indebtedness which industry had incurred in financing growth of facilities already completed or under way.

This has found reflection in no small measure in the sustained downward trend in business loans over a long period of weeks. Such repayments have been sufficient to offset new borrowings for inventory-building, etc.

Bidding Is Close

The five banking syndicates which entered bids for the Virginia Electric & Power Co.'s $25 million of new bonds obviously were thinking pretty much alike in the matter of pricing.

The successful group took the issue down on a bid of 100.152 for a 3⅞% coupon rate. The tender entered by the second highest group was 100.0899 or a mere 62 cents per $1,000 lower, while the last of the four unsuccessful bids, 99.823, was only about $3.29 a thousand under the best.

Priced for reoffering at 100.977 for an indicated yield of 3.82%, the bonds were reported meeting fair demand, but without attracting any major rush of prospective customers.

Sans Underwriter

The biggest single deal on the roster for next week, New England Telephone & Telegraph Co.'s "rights" offering of 735,245 shares of additional stock, will be handled without the assistance of underwriters.

The bulk of the outstanding issue, some 69.29% of the total, is owned by American Telephone & Telegraph Co., parent firm. These holdings entitle A. T. & T. to subscribe for about 509,525 shares of new stock.

If the parent company exercises all its rights, remaining shareholders would have the opportunity of subscribing for the balance of about 225,700 shares at $100 a share. Full subscription would bring the issuing company upward of $73 million of new equity capital.

Plenty of Competition

The corporate new issue market should witness a run of keen competition in the week ahead since the bulk of the offerings on schedule are of so-called "Street-Size," that is of dimensions which do not require the rounding up of giant-sized syndicates.

On Monday, Oklahoma Gas will open bids for $15 million of bonds. Tuesday brings up $25 million of bonds of Delaware Power & Light Co. for bidding and on Wednesday Arizona Public Service Co. plans to sell $12 million of bonds. The following day Mountain Fuel Supply Co. has $16 million of debentures due up for bids.

Two foreign dollar loans are due out with the Federation of Rhodesia & Nyasaland slated to offer $10 million bonds on Tuesday and the Municipality of Metropolitan Toronto due to offer $39,587,000 of debentures on Wednesday.

Continued from page 6

Elusive Electronics

which has demonstrated the ability to make money, earnings of at least $5 per share or more might be visualized. The company probably rates a position in the 20 times earnings category.

Perkin-Elmer, which sells over-the-counter around 24, is largest in the broad field of infrared work. Industrial sales are about equivalent with military sales. Management and research are excellent, and finances are in good order. Infrared has a great variety of important applications in laboratory testing, process control and in military guidance. Earnings during the fiscal year now coming to a close may not be too far changed from the $1.15 of last year, but one might foresee a doubling of this rate sometime during the next two or three years.

High-Voltage Engineering at 30 manages to sell significantly above actual earnings, but the important factors to look for seem to reside in the quality of management, research, and product potential. Analysts are probably aware that the Van de Graaff generator and the linear accelerator produce charges in the millions of volts and that industrial and military laboratories have been the chief outlet. A few commercial applications have been developed so far, such as the sterilizing of sutures by Ethicon. A widespread feeling, however, is that a very large commercial potential exists in oil refining, and one hesitates to put a concise figure on the company's potential during the next few years.

Varian Associates, a West Coast organization with stock selling around 18 and sales in the vicinity of $17 million, is endowed with one of the finest available research departments. The company makes klystron tubes, microwave tubes and a broad variety of supersensitive devices used in both industrial and military applications. Earnings for the fiscal year ending Sept. 30 may not be very high, but the future potential seems quite favorable and the fiscal 1959 report could make far better reading.

Telechrome is a small company located in Amityville, Long Island, and at first glance one might form the hasty conclusion that the sole products are associated with color television. This is of course important to them, and if you have decided to be bearish forever on color TV, this is not your company. However, you will find that Telechrome is engaged in an extensive variety of endeavors having applications in all of the major electronic fields. More than this, you will find that the company has struck a fine balance between the one-shot product and the long-term assembly run. The result of this extraordinary policy of developing products for medium and short runs when these products are crucially needed has resulted in some extremely commendable profits. The stock is around 8.

Part of the study of electronics involves the discovery of "offbeat" products and companies. Most electronics students view a tremendous potential for **Consolidated Electrodynamics** in the instrument systems field, and they perhaps feel that **Texas Instruments** is the *sine qua non* in semiconductors. To show you what is meant, however, consider what might be termed an improbable place for electronics, namely, the Dominion of Canada. To start out with a few premises, Canada is a huge country with many borders which must be protected by electronic and other devices. Mining and petroleum are important, and these are among the great potential customers in electronics, not only for the discovery of oil and ore but in the refining processes. The population is now about 10% in size compared with the U. S. and growing at a faster percentage rate. Couple to this the proposition that under the new administration in Canada, greater efforts are being made to "Buy Canadian."

Canadian Prospects Uncovered

There is very little literature on the Canadian electronics industry, and it may not amount to more than $35-40 million, of which radio and TV represent about 60%. Consider what might occur if Canadian electronics were to become 10% as large as the U. S. electronics market, which would be around $110 million. What companies would benefit?

There are a number of manufacturers, most of them owned by U. S. or European organizations. There is **Canadian Curtiss-Wright**, of which 800,000 shares represents Isotope Products, one of the more advanced scientific manufacturers in the Dominion, and the balance of three million shares reflects the aircraft assembly operations of Curtiss-Wright. **Canadian G. E.** is important, but the stock is owned by U. S. General Electric. The same is true of many others, such as **Consolidated Electronics** and the electronic operations of **A. V. Roe.**

Sharpe Instruments, Ltd. is a company you have probably never heard of, but convertible bonds and stock are in public hands. Just to show how Canadian electronics is growing, the company may more than double its sales during the next 12 months, and if the company remains as profitable as it has been, the earnings should keep pace.

U. S. Military Suppliers

In the U. S. military field, **Radiation Inc.** appears to hold an extraordinarily fine potential. The company is capably managed, and the type of products manufactured clearly show that the toughest type of military electronic installation can be essayed. One can be impressed by the position of **Epsco, Inc.**, located in Boston. Just recently, Epsco, which has primarily been in military data processing and telemetry acquired Edin, a Worcester maker of medical apparatus, to diversify its sales. **Tracerlab** appears to be on the road to recovery. The new president seems to be doing a good job, and the new plant on Route No. 128 is a vast improvement over the odd collection of lofts formerly inhabited in downtown Boston. The caliber of management and research at **Baird-Atomic** seems especially high, and although the company suffered reverses from Government cut-backs, the machinery is present at Baird-Atomic eventually to participate successfully in equipment for military and laboratory testing, industrial systems and other fields. **Telecomputing** on the West Coast is an interesting company and seems well geared for the long term as far as research and experience are concerned. The company's best known products include gyros, but systems for all sorts of commercial, business or industrial activities seems to be the area of greatest management concentration. Earnings have so far been relatively meaningless.

Naturally, there are far too many companies among the small electronics organizations to develop more than superficial conclusions in the short time available. One word of advice and caution: be a careful buyer in the electronics field and a slow seller. Give them time to work for you.

Smith, Barney Group Offers G. D. Searle Co. Secondary Common

A secondary offering of 250,000 shares of common stock of G. D. Searle & Co., medical research and ethical pharmaceutical manufacturing company was made on June 11 by an underwriting group headed by Smith, Barney & Co. The stock is priced at $45 a share. Of the shares offered, 180,000 shares were owned by trustees of the Marion Searle Trust and 70,000 shares by John G. Searle, President and director of the company. After sale of the 250,000 shares, approximately 51% of the company's 4,425,220 shares of outstanding common stock will be owned by the members of the Searle family or held in trust for their benefit.

The selling shareholders stated that the decision to sell a portion of their holdings of the company's shares resulted from consideration of the prospective impact of gift, estate and inheritance taxes on the Searle family, and the desirability of some diversification of holdings in connection with plans to meet the taxes. The business of the company has been under the management and control of the Searle family since it began the manufacture of pharmaceuticals in 1888.

Net sales of G. D. Searle & Co. in 1957 totaled $30,597,046 and net income was $6,922,787, equal to $1.58 per common share. Dividends of $1.05 a share were paid in 1957. In the current year quarterly dividends of 30 cents each were paid on Feb. 20 and May 20.

Sills Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Bernard Glasser has been added to the staff of Sills and Company, Ingraham Building.

Joins Hardy, Hardy

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—Stephen T. Olds has joined the staff of Hardy, Hardy & Associates, 1278 North Palm Avenue.

With White Weld

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Schuyler Pardee is now with White, Weld & Co., New England Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—With the possible exception of "small business," there is absolutely no chance of any tax reduction for anybody this year. And if you ask a dozen well informed men to define a small business you are likely to get 12 different answers.

The size of the 1959 fiscal year deficit of the United States Government will depend to a substantial degree on the economy of the country. But the deficit is going to be tremendous, probably ranging from $10 to $12 billion. The new fiscal year starts July 1. Come next January when a new Congress convenes, the law makers probably will be called upon once again to raise the debt ceiling of the country from the present $280 billion.

Dismal Fiscal Outlook

The level of expenditures starting July 1 will be approximately $80 billion, most of which will be spent through policies and orders of the Pentagon, the world's biggest office building on the banks of the Potomac. The tax income will run about $68 billion. The fiscal picture isn't bright.

If there were a $5 billion tax reduction, which some had advocated, the deficit would run from $17 to $18 billion. Chairman Wilbur Mills of the House Ways and Means Committee feels that the economy for the remainder of the year will be as good or better than the corresponding period in 1957. He points out that individual income in this country has been higher each month this year than the corresponding month of 1957.

The House Ways and Means Committee which has handled the controversial reciprocal trade legislation, still has a busy schedule ahead. All of the so-called Korean tax measures will be expended by Congress. The Committee, which has been one of the busiest in this Congress, is nearing completion of the legislation designed to aid "small business." The House is expected to take up the legislation on June 16.

Social Security Headaches

One of the important things on the agenda of the House Committee, where all tax matters must originate under the constitution, are some hearings on so-called social security. The social security program is in trouble. The trouble is coming sooner than even many conservative authorities predicted. The reason the program is in trouble is because more money is being paid out than is being taken in.

Many thousands of self-employed people, learned for example, that they had to work only 18 months under the program, before they would become eligible to start drawing the benefits for the remainder of their lives. However, that has not been the paramount reason for the heavy outgo.

Many thousands of farmers, after paying in the program just a few years, have begun to retire. Then too, many thousands of more women are retiring at the age of 62, since Congress lowered the eligible age from 65. Actually, the number of women retiring since the lowering of the age has been surprising. The average retirement age for the women under the program is 67, while the average age of the men is 69.

Program Unsound

The program, as it is now constituted, is actually unsound. Although more money is being paid out now than is being collected, the Social Security Program has $22 billion in government bonds that are earmarked. The bonds are drawing many millions annually which is applied to the trust funds. The social security taxes will be raised again in 1960, and again in 1965.

Oil Indictment

A little more than two weeks ago a Federal grand jury, under the prodding of the Department of Justice, returned indictments against 29 oil companies on charges of conspiracy to fix prices of crude oil and gasoline. The indictments were returned at Alexandria, Va., the home of George Washington, which today is as much a part of Metropolitan Washington as is the Pentagon and the Washington National Airport, which are situated in Arlington County, Va., just across the Potomac.

The trial of the oil cases will start before long. However, people who seem to know what they are talking about, say the defense lawyers will be the only ones to come out financially ahead. Actually, the charges are "flimsy and vague," according to one informed attorney for a petroleum trade association.

Gasoline today costs about 21 cents a gallon, excluding state and Federal taxes. That is about the price of a couple of cups of coffee, and appears to be a good bargain. The price increase in crude oil was long over due, and inevitable. From June 1953 and January 1957 while crude prices remained unchanged, price of steel tubular goods to the oil industry increased six times, and oil industry wages rose on five occasions, said Russell B. Brown, general counsel for the Independent Petroleum Association of America.

Certainly the oil companies, big and little, are capable of defending themselves, but the indictment appears to be uncalled for in the face of economic facts of life. However, the anti-trust division of the Department of Justice spurred the indictment on. Now, who can say the Eisenhower Republican administration favors only "big business"?

"It is shocking and unfortunate," said Attorney Brown, "that an industry which has rendered such great service, at so little cost, could be subject to harassment and misleading and damaging publicity, as a result of charges which, at best are anemic and unjustifiable."

FDIC Report

The Federal Deposit Insurance Corporation says at the end of 1957 there were 14,130 banks operating in the United States, a decrease of 78 from Dec. 31, 1956. A total of 88 banks opened and 166 closed. All but five of the banks that ceased to operate were absorbed by other banks, and 145 of these were converted into branches.

There was a net increase of 671 branches during the year, bringing the total number of bank branches to 8,777. Banks and branches totaled 22,907 on Dec. 31, 1957, representing an increase of 593 banking offices during the year.

The FDIC records show that about 95% of all banks operating in the country are insured by the agency. These insured banks held 96 of all bank deposits. The insured banks included 13,165 commercial banks and 239 mutual savings banks.

Deposits of all banks increased nearly $6 billion last year to a total of $234 billion at the end of the year. The 2% increase was the smallest since 1949. Three-fourths of the states showed decreases in demand deposits of business and individuals. Only in Oregon, Rhode Island and Utah were the declines greater than 5%. Arizona had a 5% increase, the largest of any state. Banks in each state registered increases in time deposits of business and individuals. The advance exceeded 20% in Alabama, Florida, Louisiana, Mississippi, Montana, North Dakota, South Dakota and Texas.

Of the total loans in all banks, those of Illinois had the highest proportion of commercial and industrial loans, 52%, and New Hampshire the lowest with 11%. Real estate loans comprised more than one-half the total loans in New Jersey and the six New England States. The FIDC said that in these seven states mutual savings banks, which concentrate on real estate loans, are particularly strong.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"It reaches letters in the back of the top drawers of filing cabinets!"

Business Man's Bookshelf

Arbitration of Discharge Cases: What Happens After Reinstatement—Arthur M. Ross—Institute of Industrial Relations, 201 California Hall, University of California, Berkeley 4, Calif.—paper.

Area Manpower Guidebook: Industrial Characteristics, Employment Trends, Labor Supply—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—$1.75.

Authors Wanted — Special Booklet CN on book-length manuscripts sought — fiction, nonfiction, poetry—Vantage Press, 120 West 31st Street, New York 1, N. Y.

Board of Trade of the City of Chicago — 100th annual report — Board of Trade of City of Chicago, Chicago, Ill.—cloth.

Economics—Paul A. Samuelson—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—cloth—$6.75.

Florida Real Estate Analyzer — Florida Business Letter, 186 Southwest Thirtieth Street, Miami 36, Fla.—paper—$5.

Government Policy Toward Competition and Private Pricing—Myron W. Watkins and Joel B. Dirlam—Before Joint Economic Committee of the United States Senate—paper.

Industrial Development Bank of Turkey — Annual Statement — Industrial Development Bank of Turkey, Istanbul, Turkey—paper.

Japan Economic Yearbook—Oriental Economist, Nihonbashi, Tokyo, Japan—$5.

Law of the Real Estate Business—Harold F. Lusk—Richard D. Irwin, Inc., Homewood, Ill. — cloth—$6.60.

Loopholes in the Labor Laws—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y.—paper.

New Role of the Soviets in the World Economy—Michael Sapir—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y.—paper.

Recession — Cause and Cure — In Perspective of Our Long Range Problems—Conference on Economic Progress, 1001 Connecticut Avenue, N. W., Washington 6, D. C.—paper—50c.

Sales Financing and Better Living—Facts about Time Buying for Mass Consumption — American Finance Conference, 176 West Adams Street, Chicago 3, Ill. (paper).

Should the U. S. Change Its China Policy?—Eustace Seligman and Richard L. Walker — Foreign Policy Association, Inc., 345 46th Street, New York 17, N. Y.—paper—35c.

This Is the Challenge — William Benton — An Account of Mr. Benton's trip to the Soviet Union—New York University Press, Washington Square, New York 3, N. Y.—$3.95.

Tooling for Metal Powder Parts—American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich.—$7.50.

Trade Agreements Act and the National Interest — Howard S. Piquet—The Brookings Institution, 722 Jackson Place, N. W., Washington 6, D. C. — paper — $1.25.

What's Happening to U. S. Business Today and Where are We Heading? — Jules Backman—Birk & Co., Inc., 22 East 60th Street, New York 22, N. Y. (paper).

Wholesale Prices and Price Indexes 1954-1956—U. S. Department of Labor Bureau of Labor Statistics, 341 Ninth Ave., New York 1, N. Y., $2.

World Health Organization — Its Global Battle Against Disease—Albert Deutsch—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25c.

You and Management — Daniel R. Davies and Robert Teviot Livingston—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth)—$4.50.

You and Your Car—Revised on the basis of two years' use by safety groups, driving classes, and others—Channing L. Bete Co., Inc., Greenfield, Mass.—paper—25c (quantity prices on request).